



e p i c u r e a n | 惟 膳
Epicurean and Company, Limited
惟 膳 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8213)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2016**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Epicurean and Company, Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was HK\$250.0 million for the period under review, representing a decrease of 29% compared with HK\$351.8 million recorded in the corresponding period last year.

Loss attributable to owners of the Company increased to HK\$33.8 million from HK\$11.3 million compared with the corresponding period last year.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the period ended 31 December 2016, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2016

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	249,969	351,753	86,567	86,833
Cost of sales		<u>(82,508)</u>	<u>(109,407)</u>	<u>(28,918)</u>	<u>(29,491)</u>
Gross profit		167,461	242,346	57,649	57,342
Other income		1,542	13,130	505	1,145
Operating expenses		<u>(199,117)</u>	<u>(259,673)</u>	<u>(66,757)</u>	<u>(65,838)</u>
Operating loss		(30,114)	(4,197)	(8,603)	(7,351)
Finance costs		<u>(3,273)</u>	<u>(5,087)</u>	<u>(1,023)</u>	<u>(1,099)</u>
Loss before income tax		(33,387)	(9,284)	(9,626)	(8,450)
Income tax expense	3	<u>(909)</u>	<u>(2,277)</u>	<u>(308)</u>	<u>(94)</u>
Loss for the period		<u>(34,296)</u>	<u>(11,561)</u>	<u>(9,934)</u>	<u>(8,544)</u>
Loss for the period attributable to:					
Owners of the Company		(33,826)	(11,288)	(9,781)	(8,490)
Non-controlling interests		<u>(470)</u>	<u>(273)</u>	<u>(153)</u>	<u>(54)</u>
		<u>(34,296)</u>	<u>(11,561)</u>	<u>(9,934)</u>	<u>(8,544)</u>
Loss per share (HK cents)	4				
– Basic		<u>(1.22)</u>	<u>(0.48)</u>	<u>(0.35)</u>	<u>(0.31)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the nine months ended 31 December 2016*

	For the nine months ended 31 December		For the three months ended 31 December	
	2016	2015	2016	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(34,296)</u>	<u>(11,561)</u>	<u>(9,934)</u>	<u>(8,544)</u>
Other comprehensive (loss)/income:–				
Items that may be subsequently reclassified to profit or loss:–				
Exchange (loss)/gain arising from translation of financial statements of foreign operations	<u>(346)</u>	<u>300</u>	<u>194</u>	<u>(154)</u>
Total comprehensive loss for the period	<u>(34,642)</u>	<u>(11,261)</u>	<u>(9,740)</u>	<u>(8,698)</u>
Total comprehensive loss for the period attributable to:–				
Owners of the Company	<u>(34,157)</u>	<u>(10,982)</u>	<u>(9,580)</u>	<u>(8,642)</u>
Non-controlling interests	<u>(485)</u>	<u>(279)</u>	<u>(160)</u>	<u>(56)</u>
	<u>(34,642)</u>	<u>(11,261)</u>	<u>(9,740)</u>	<u>(8,698)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2016

	Attributable to owners of the Company										
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.4.2015 (audited)	22,430	(170,884)	135,200	3,801	92	2,020	2,521	(258)	(5,078)	656	(4,422)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	9	-	-	9	-	9
Release upon disposal of subsidiaries	-	-	-	-	(566)	-	-	-	(566)	-	(566)
Exercise of share option	345	-	3,640	-	-	(974)	-	-	3,011	-	3,011
Conversion of convertible bonds	5,000	-	36,261	-	-	-	(1,261)	-	40,000	-	40,000
Comprehensive loss											
Loss for the period	-	(11,288)	-	-	-	-	-	-	(11,288)	(273)	(11,561)
Other comprehensive income:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	306	-	-	-	306	(6)	300
Total comprehensive loss for the period	-	(11,288)	-	-	306	-	-	-	(10,982)	(279)	(11,261)
At 31.12.2015 (unaudited)	<u>27,775</u>	<u>(182,172)</u>	<u>175,101</u>	<u>3,801</u>	<u>(168)</u>	<u>1,055</u>	<u>1,260</u>	<u>(258)</u>	<u>26,394</u>	<u>377</u>	<u>26,771</u>
At 1.4.2016 (audited)	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)
Cancellation of share options under mandatory unconditional cash offers	-	1,055	-	-	-	(1,055)	-	-	-	-	-
Comprehensive loss											
Loss for the period	-	(33,826)	-	-	-	-	-	-	(33,826)	(470)	(34,296)
Other comprehensive loss:-											
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(331)	-	-	-	(331)	(15)	(346)
Total comprehensive loss for the period	-	(33,826)	-	-	(331)	-	-	-	(34,157)	(485)	(34,642)
At 31.12.2016 (unaudited)	<u>27,775</u>	<u>(239,839)</u>	<u>173,887</u>	<u>3,801</u>	<u>(541)</u>	<u>-</u>	<u>1,390</u>	<u>(258)</u>	<u>(33,785)</u>	<u>(1,298)</u>	<u>(35,083)</u>

1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2016, which have been prepared in accordance with HKFRSs.

These unaudited condensed consolidated quarterly results have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2016. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated quarterly results and amounts reported for the current period and prior periods.

(b) Adoption of the going concern basis

When preparing the unaudited condensed consolidated quarterly results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$34,296,000 for the period ended 31 December 2016 and as of that date, the Group had net current liabilities and net liabilities of HK\$109,486,000 and HK\$35,083,000 respectively as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman, who is the sole beneficial owner of the convertible bonds issued by the Company in the aggregate outstanding principal amount of HK\$40,000,000 and provided loans to the Group of HK\$104,493,000 as at 31 December 2016, continued to provide financial support to the Group; and
- (2) After the completion of the mandatory unconditional cash offers on 4 November 2016, Mr. Chan Kin Chun Victor, the beneficial owner of the controlling shareholder of the Company, will provide continuing financial support to the Group.

After taking into consideration of above factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited condensed consolidated quarterly results to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

2. REVENUE

Revenue, represents invoiced value recognized in respect of provision of food and beverage services, net of discounts and business tax or value-added tax, during the period. An analysis of the revenue recorded for the period is set out below:

	For the nine months ended 31 December	
	2016	2015
	(unaudited) HK\$'000	(unaudited) HK\$'000
Provision of food and beverage services and others	<u>249,969</u>	<u>351,753</u>

3. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2016	2015
	(unaudited) HK\$'000	(unaudited) HK\$'000
Current tax	265	2,305
Deferred tax	<u>644</u>	<u>(28)</u>
	<u>909</u>	<u>2,277</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax, Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2015: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – 15%).

4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$33,826,000 (2015: HK\$11,288,000) and the weighted average number of ordinary shares of 2,777,450,000 (2015: 2,365,197,000) in issue during the period for the nine months ended 31 December 2016.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2015 and 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited revenue for the nine months ended 31 December 2016 amounted to HK\$250.0 million (2015: HK\$351.8 million), representing a decrease of 29% compared with the same period of the last financial year. Net loss attributable to owners of the Company increased by HK\$22.5 million to HK\$33.8 million as compared with the same period of the last financial year.

Business Review

All the existing restaurants operated by the Group are Japan-related brands, including the restaurants, cafe and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese izakaya under the brand of Enmaru.

The business environment for the food and beverage industry has always been challenging and volatile, in which high rental and labor costs are lasting. Intense competition plus poor market sentiment further squeeze profit margin in the food and beverage industry. Amid this unfavorable business environment for a number of years, we continue to strive for survival and growth, through strengthening our attractiveness to new and old customers and hence retaining loyal customers, by frequent revamping menu and consistent provision of quality food and services.

Italian Tomato, our flagship brand of restaurants, cafe and cake shops, is still the main contributor to the Group's revenue. Through years of effort on product innovation, menu engineering and customer relationships, Italian Tomato has already become a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expanded Italian Tomato's network to Shanghai, Shenzhen and Taiwan. Despite its revenue for the nine months ended 31 December 2016 decreased by HK\$1.6 million to HK\$151.6 million as compared with the same period of the last financial year, the Group's marketing team is working on strategies to drive the traffic, and we believe that we can apply our success models from Hong Kong business to drive growth in these markets. Going forward, we will continue to enhance the brand recognition and our ability in the operation efficiency. As at 31 December 2016, the total number of stores under the brand of Italian Tomato was 45.

Revenue from Ginza Bairin, Shirokuma Curry and Enmaru for the nine months ended 31 December 2016 decreased by 10% as compared with the same period of the last financial year. Given that additional effort is made to spark customers' interest, we are confident that we can differentiate ourselves from the intense market when we maintain the food quality and adhere to the tradition of these brands. As at 31 December 2016, the total number of stores under the brand of Ginza Bairin, Shirokuma and Enmaru was 17.

Future Prospects

We have stepped into the last quarter of the fiscal year 2016/2017 and have seen the toughest year in our operating history since we engaged in the food and beverage sector, it is hard to foresee when the sluggish market takes a turn for the better or the economy revives, however, our management and front line staff are hand in hand to weather the gloomy economy.

While the Company intends to continue the existing principal businesses of the Group in the food and beverage industry, the management is reviewing on the existing businesses and the financial positions of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the management may explore business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to diversify the Group's existing business, broaden the Group's income stream and enhance the long-term growth potential of the Company.

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2016, the Group recorded revenue of HK\$250.0 million (2015: HK\$351.8 million), the revenue decreased by 29% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$33.8 million (2015: HK\$11.3 million).

The gross profit margin of the Group was 67% (2015: 69%).

Total operating expenses decreased by 23% to HK\$199.1 million (2015: HK\$259.7 million) due to the fact that the number of operating subsidiaries are fewer than that of corresponding period last year resulting from the disposal of the business operation in Japan and the entire interests in the Shanghainese dining concept and Taiwan beef noodle chain stores.

MANDATORY UNCONDITIONAL CASH OFFERS

References are made to the joint announcement of the Company and Win Union Investment Limited (the "Offeror") dated 14 September 2016 and the composite offer and response document (the "Composite Document") jointly issued by the Company and the Offeror dated 5 October 2016 in relation to the mandatory unconditional cash offers made by Pacific Foundation Securities Limited for and on behalf of the Offeror to acquire all the issued shares of the Company (other than those already owned by the Offeror and parties acting in concert with it) ("Share Offer") and to cancel all the then outstanding share options of the Company ("Option Offer") (together with "Share Offer", the "Offers").

The Company was informed by Mr. Tang Sing Ming Sherman (“Mr. Tang”) and First Glory Holdings Limited (the then controlling shareholders of the Company) (the “Vendors”) that, on 7 September 2016 (after trading hours), the Offeror as purchaser and the Vendors as vendors, entered into a sale and purchase agreement, pursuant to which the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell a total of 1,403,810,083 Shares, representing approximately 50.54% of the then total issued share capital of the Company for a total consideration of HK\$170,000,000 (equivalent to approximately HK\$0.1211 per Share) (the “Acquisition”). The completion of the Acquisition (the “Completion”) took place on 8 September 2016.

Following the Completion, the Offeror and the parties acting in concert with it were interested in, held, and/or controlled 1,403,810,083 Shares, representing approximately 50.54% of the total issued share capital of the Company. Accordingly, pursuant to Rule 26.1 and Rule 13 of the Hong Kong Code on Takeovers and Mergers, the Offeror was required to make the Offers.

As at 4:00 p.m. on Friday, 4 November 2016, being the latest time and date for acceptance of the Offers as set out in the Composite Document, the Offeror received valid acceptances in respect of (i) a total of 468,210 Shares under the Share Offer; and (ii) a total of 33,000,000 share options under the Option Offer.

Upon the close of the Offers at 4:00 p.m. on Friday, 4 November 2016, taking into account the valid acceptances in respect of a total of 468,210 Shares under the Share Offers, the Offeror and parties acting in concert with it held, controlled or directed 1,404,278,293 Shares, representing approximately 50.56% of the issued share capital of the Company as at the date of the joint announcement. Details of the results of the Offers are set out in the announcement of the Company dated 4 November 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the nine months ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS’ INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares interested/ held	Approximate percentage of the issued share capital (Note 2)
Mr. Chan Kin Chun Victor (“Mr. Chan”) (Note 1)	Interest of controlled corporation	1,404,278,293	50.56%

(b) Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature	Number of ordinary share in associated corporation	Approximate percentage of attributable interest in associated corporation
Mr. Chan (Note 1)	Win Union Investment Limited (“Win Union”)	Beneficial owner	1	100.00%

Notes:

1. Mr. Chan beneficially owns the entire issued capital of Win Union, which in turn holds 1,404,278,293 ordinary shares of the Company. Therefore, Mr. Chan is deemed or taken to be interested in all shares of the Company held by Win Union for the purpose of the SFO representing approximately 50.56% of the entire issued share capital of the Company. Mr. Chan is the sole director of Win Union.
2. Based on 2,777,450,000 ordinary shares of the Company in issue as at 31 December 2016.

Save as disclosed herein, as at 31 December 2016, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed “Directors’ interests in the securities of the Company or any associated corporations”, so far as is known to the Directors and chief executive of the Company, as at 31 December 2016, no other persons or companies had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, except the following:

Name	Type of interests	Number of shares and/or underlying shares of the Company	Approximate percentage of the issued share capital (Note 3)
Win Union (<i>Note 1</i>)	Beneficial owner	1,404,278,293	50.56%
Mr. Tang (<i>Note 2</i>)	Beneficial owner	500,000,000	18.00%
Ms. Ho Ming Yee (“Ms. Ho”) (<i>Note 2</i>)	Interest in spouse	500,000,000	18.00%

Notes:

1. The said 1,404,278,293 ordinary shares of the Company are held by Win Union. Win Union is wholly-owned by Mr. Chan.
2. Ms. Ho is the spouse of Mr. Tang, and is therefore deemed to be interested in the shares of the Company held by Mr. Tang. The said 500,000,000 ordinary shares of the Company represent underlying shares of the Company which would be issued upon conversion of the convertible bond hold by Mr. Tang in full. Mr. Tang resigned as executive Director with effect from 8 November 2016.
3. Based on 2,777,450,000 ordinary shares of the Company in issue as at 31 December 2016.

SHARE OPTIONS

During the reporting period, a total of 33,000,000 share options were cancelled upon the close and settlement of the mandatory unconditional cash offers to cancel all the then outstanding share options under the Option Offer. After the close and settlement of the Option Offer and as of 31 December 2016, no share options were outstanding. Details of the Option offer are set out in the section headed “Mandatory unconditional cash offers”. The following table discloses movement of the Company’s share options:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2016	Cancelled during the period of the Option Offer	Outstanding at 31.12.2016
Category 1:						
Director						
Mr. Tang (<i>Note 1</i>)	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000	(5,000,000)	–
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	(5,000,000)	–
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000	(5,000,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	5,000,000	(5,000,000)	–
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,000,000	(5,000,000)	–
Category 2:						
Employees	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000	(2,000,000)	–
	13.8.2010	13.8.2011 – 12.8.2020	0.138	3,000,000	(3,000,000)	–
	13.8.2010	13.8.2012 – 12.8.2020	0.138	3,000,000	(3,000,000)	–
Total of all categories				<u>33,000,000</u>	<u>(33,000,000)</u>	<u>–</u>

Note:

- Mr. Tang resigned as executive Director with effect from 8 November 2016.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

As disclosed in the Composite Document, it was intended that directors of the Company would resign and new Directors would be nominated with effect from the earliest time permitted for resignation and appointment of directors under the Code on Takeovers and Mergers of Hong Kong or such later date as the board of the Directors then thought fit. As such, with effect from 8 November 2016, Mr. Tang resigned as executive Director; and Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter resigned as independent non-executive Directors; Mr. Chan and Mr. Zheng Hua have been appointed as executive Directors; and Mr. Yip Tai Him (“Mr. Yip”), Mr. Chan Yee Ping, Michael (“Mr. Michael Chan”) and Mr. Deng Guozhen (“Mr. Deng”) have been appointed as independent non-executive Directors. Details of the change of management and composition of board committees please are set out in the announcement of the Company dated 8 November 2016.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive Directors. On 8 November 2016, Mr. Bhanusak Asvaintra has resigned as chairman of the Audit Committee; and Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter resigned as members of the Audit Committee. Mr. Yip has been appointed as the chairman of the audit committee of the Company and Mr. Michael Chan and Mr. Deng have been appointed as members of the Audit Committee.

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2016, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2016 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2016, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2016, except for the deviations from Code Provisions A.2.1 and A.4.2 of the Corporate Governance Code. Details of the deviations are set out below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

In the nine months ended 31 December 2016, Mr. Tang was the Chairman of the Board and the Chief Executive Officer of the Company until he resigned with effective from 8 November 2016. As such, such dual role constituted a deviation from Code Provisions A.2.1. However, the Board was of the view that:

- the Company's size was relatively small and thus did not justify the separation of the roles of the Chairman and Chief Executive Officer;
- the Company had sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer;

- Mr. Tang as the Chairman of the Board and the Chief Executive Officer of the Company was responsible for ensuring that all Directors act in the best interests of the shareholders. He was fully accountable to the shareholders and contributing to the Board and the Group on all top-level and strategic decisions; and
- this structure would not impair the balance of power and authority between the Board and the management of the Company.

Mr. Tang ceased to hold any positions with the Company with effect from 8 November 2016.

On behalf of the Board
Chan Kin Chun Victor
Chairman

Hong Kong, 10 February 2017

As at the date of this announcement, the Company's executive Directors are Mr. Chan Kin Chun Victor and Mr. Zheng Hua; and the independent non-executive Directors are Mr. Yip Tai Him, Mr. Chan Yee Ping, Michael and Mr. Deng Guozhen.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.