THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Epicurean and Company, Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Epicurean and Company, Limited.

epicurean | 惟膳

Epicurean and Company, Limited

惟膳有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BOND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the board of directors of Epicurean and Company, Limited (the "**Company**") is set out on pages 6 to 21 of this circular.

An extraordinary general meeting ("**EGM**") of the Company will be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on 14 August 2012 at 11:00 a.m. A notice convening the EGM is set out at the end of this circular. A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete, sign and return the form of proxy in accordance with the instructions printed on thereon to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may) should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.eacl.com.

30 July 2012

CHARACTERISTICS OF THE GEM

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.

CONTENTS

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Share and the Shareholder's Loan pursuant to the Sale and Purchase Agreement
"Assignment of Loan"	the deed of assignment of the Shareholder's Loan to be executed by the Vendor in favour of the Purchaser
"Associates"	has the meaning ascribed thereto in the GEM Listing Rules, unless otherwise specified
"Board"	the board of Directors
"Business Day"	a day (other than Saturday) on which banks in Hong Kong are generally open for business
"Company"	Epicurean and Company, Limited（惟膳有限公司）, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM
"Completion"	completion of the sale and purchase of the Sale Share and the Shareholder's Loan in accordance with the terms of the Sale and Purchase Agreement
"Completion Date"	the date on which Completion takes place under the Sale and Purchase Agreement
"Conditions Precedent"	conditions precedent to Completion under the Sale and Purchase Agreement
"Connected Person"	has the meaning ascribed thereto in the GEM Listing Rules
"Consideration"	the total consideration for the acquisition of the Sale Share and the Shareholder's Loan which is in the sum of HK$80,000,000

"Convertible Bond"	the convertible bond(s) in the aggregate principal amount equivalent to the Consideration (i.e. HK$80,000,000) to be issued by the Company upon Completion pursuant to the Subscription Agreement
"Convertible Bondholder"	the person/entity who is for the time being the holder of the Convertible Bond
"Conversion Period"	the period commencing from the 10th Business Day after the issue date of the Convertible Bond and ending on the 10th Business Day immediately prior to the maturity date (both days inclusive)
"Conversion Price"	HK$0.08 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bond
"Conversion Share(s)"	new Share(s) which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bond
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Shareholders of the Company to be convened on 14 August 2012 for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bond)
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"First Glory"	First Glory Holdings Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company

"Franchise"	the franchises owned by the Franchisor relating to the systems for the setting up and operating restaurants, café and cake shops under the brand name "Italian Tomato" and other related brand names that provide and serve Italian cuisine, cakes, ice-cream, Japanese beverages and products as well as the related knowhow for making cakes and other products
"Franchisor"	株式会社イタリアントマト("Italian Tomato Company Limited"), a company incorporated in Japan
"GEM"	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent board committee of the Board, comprising Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter, being all the independent non-executive Directors, which has been formed to make recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder
"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder

"Independent Shareholders"	those shareholders of the Company who are not required to abstain from voting at the EGM under the GEM Listing Rules
"IT HK"	I. T. H. K. Limited (formerly known as Billion Top Limited), a company duly incorporated in Hong Kong and a direct wholly-owned subsidiary of Mark
"IT PRC"	I.T. PRC Limited, a company duly incorporated in Hong Kong and a direct wholly-owned subsidiary of Mark
"IT TW"	I.T. TW Limited, a company duly incorporated in Hong Kong and a direct wholly-owned subsidiary of Mark
"Last Trading Day"	25 June 2012, being the last trading day immediately before the publication of the announcement dated 28 June 2012 by the Company in relation to, among other things, the Acquisition
"Latest Practicable Date"	means 26 July 2012, being the latest practicable date for ascertaining certain information contained in this circular
"Longstop Date"	31 December 2012
"Mark"	Mark Limited（瑪威有限公司）, a company incorporated in Hong Kong
"Mr. Tang"	Mr. Tang Sing Ming Sherman, an executive Director and the chairman of the Board
"Percentage Ratios"	shall have the meaning as ascribed to it under Chapter 19 of the GEM Listing Rules
"PRC"	the People's Republic of China
"Purchaser"	Theola Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company

"Sale and Purchase Agreement"	the conditional agreement dated 25 June 2012 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share and the Shareholder's Loan
"Sale Share"	1 share with a nominal value of HK$1 in the share capital of Mark, representing 100% of the issued share capital of Mark
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Shares
"Shareholder's Loan"	the loan due and owing by Mark to the Vendor as at the date of the Sale and Purchase Agreement
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the Company
"Specific Mandate"	a specific mandate to be approved by the Independent Shareholders at the EGM to authorise the Directors to issue and allot the Conversion Shares to the Convertible Bondholder upon the exercise of the conversion rights attached to the Convertible Bond
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement to be entered into between the Company and the Vendor or its nominee(s) upon Completion for the subscription of the Convertible Bond
"Target Group"	Mark, IT HK, IT PRC and IT TW
"Vendor"	Strong Venture Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Tang
"Yen"	Japanese Yen, the lawful currency of Japan
"%"	per cent

epicurean 惟膳

Epicurean and Company, Limited
惟膳有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

Executive Directors:
Mr. Tang Sing Ming Sherman *(Chairman)*
Mr. Lee Shun Hon, Felix

Independent non-executive Directors:
Mr. Bhanusak Asvaintra
Mr. Chan Kam Fai Robert
Mr. Chung Kwok Keung Peter

Registered Office:
P.O. Box 309,
Ugland House,
Grand Cayman,
KY1-1104,
Cayman Islands

Principal place of business in Hong Kong:
8th Floor, Pedder Building,
12 Pedder Street,
Central,
Hong Kong

30 July 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BOND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

INTRODUCTION

Reference is made to the announcement of the Company dated 28 June 2012 in relation to, among other things, the Acquisition.

On 25 June 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Sale Share, representing 100% of the existing issued share capital of Mark; and (ii) the Shareholder's Loan, representing the entire shareholder's loan due and owing by Mark to the Vendor, at the respective consideration of HK$69,980,454.04 and HK$10,019,545.96.

The purpose of this circular is to provide you with (i) further details of the Acquisition, the Sale and Purchase Agreement, the Assignment of Loan and the Subscription Agreement; (ii) the notice of the EGM despatched to the Shareholders; and (iii) other information in compliance with the GEM Listing Rules.

THE SALE AND PURCHASE AGREEMENT

On 25 June 2012 (after the trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor.

The principal terms of the Sale and Purchase Agreement are set out below:

Date

25 June 2012

Parties

Vendor: Strong Venture Limited

Purchaser: Theola Limited, an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Sale Share, representing 100% of the issued share capital of Mark; and (ii) the Shareholder's Loan, representing the entire shareholder's loan due and owing by Mark to the Vendor.

Consideration

The consideration for the Sale Share is HK$69,980,454.04 and the consideration for the Shareholder's Loan is HK$10,019,545.96.

Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser shall procure the Company to enter into the Subscription Agreement with the Vendor or its nominee(s) upon Completion in relation to the subscription for and issue of the Convertible Bond. The issue of the Convertible Bond by the Company to the Vendor or its nominee(s) pursuant to the Subscription Agreement shall constitute a full and absolute discharge of the Purchaser's payment obligations of the Consideration under the Sale and Purchase Agreement.

The total consideration in the sum of HK$80,000,000 for the Acquisition was determined after arm's length negotiations based on normal commercial terms and: (a) in relation to the Sale Share, with reference to the following factors, namely, (i) the historical performance of the Target Group, (ii) the future development potential of the Target Group, including but not limited to the recently acquired franchise rights within the areas of Guangdong Province, the PRC and Taiwan, and (iii) the existing establishments of the Target Group including but not limited to the brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong; and (b) in relation to the Shareholder's Loan, on a dollar-for-dollar basis.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent being satisfied or, to such extent as the Purchaser thinks fit and is legally entitled to do so, waived (whether in full or in part, and with or without conditions) by the Purchaser on or before the Longstop Date:

(a) the Vendor having facilitated the Purchaser to undertake a legal, financial, operational, tax accounting and business due diligence investigation in respect of the Target Group, and the results of which are satisfactory to the Purchaser;

(b) all applicable law, rules and regulations (including but without limitation to the GEM Listing Rules) for entering into the transactions contemplated under the Sale and Purchase Agreement, the Subscription Agreement and the Assignment of Loan having been complied with;

(c) approval by the Independent Shareholders at the EGM for the Sale and Purchase Agreement and all transactions contemplated thereunder having been obtained;

(d) all necessary approvals in respect of the transactions contemplated under the Sale and Purchase Agreement, the Assignment of Loan and the Subscription Agreement (including but not limited to the issue of the Convertible Bond, the allotment and issue of the Conversion Shares, and the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares on the GEM) having been obtained;

(e) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respect immediately prior to Completion by reference to the facts and circumstances subsisting immediately prior to Completion; and

(f) there has been no material adverse change of each member of the Target Group immediately prior to completion.

If any of the Conditions Precedent (which have not previously been waived by the Purchaser) have not been satisfied on or before 5:00 p.m. (Hong Kong time) on the Longstop Date, then the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor:

i. waive, to such extent as it thinks fit and is legally entitled to do so, the Conditions Precedent (except the Conditions Precedent set out in paragraphs (b), (c) and (d)) which have not been satisfied;

ii. postpone Completion to a date (being a Business Day) falling not more than 30 Business Days after the Longstop Date; or

iii. rescind the Sale and Purchase Agreement, in which the Sale and Purchase Agreement shall automatically be terminated with immediate effect and each party's rights and obligations shall cease immediately on termination. Such termination shall not affect the rights and obligations of the Vendor or the Purchaser existing before termination.

Completion shall take place within 3 Business Days after the date on which all the Conditions Precedent set out above have been fulfilled or waived by the Purchaser in accordance with the terms of the Sale and Purchase Agreement (or on such later date as the parties may agree in writing).

Upon Completion, the Purchaser shall procure the Company to enter into the Subscription Agreement with the Vendor or its nominee(s) in relation to the subscription for and issue of the Convertible Bond.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond (which are set out in the Subscription Agreement and agreed by the parties under the Sale and Purchase Agreement) are summarised as follows:

Total principal amount:	HK$80,000,000
Issue price:	At the full face value of the Convertible Bond
Redemption:	Unless previously converted, the Company shall repay the Convertible Bond in full with all interest accrued thereon up to and including the maturity date
Conversion Price:	HK$0.08 per Conversion Share, subject to adjustments for, among other things, customary anti-dilution provisions summarised below
Anti-dilution adjustments:	The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including but not limited to the following:–

(i) consolidation, sub-division or reclassification of the Shares;

(ii) capitalisation of profits or reserves;

(iii) capital distribution of Shares; and

(iv) the Company's issue for cash any Shares or other securities which are convertible into new Shares, and the consideration per Share initially receivable for such securities is less than 92% of the market price as at the date of the announcement of the terms of issue of such securities. For the purpose of this provision, "market price" means the average of the closing price per Share for each of the last ten Stock Exchange trading days on which dealings in the Shares on the Stock Exchange took place ending on such trading day last preceding the day on or as of which the market price is to be ascertained.

Every adjustment to the Conversion Price shall be certified by the Company's auditors or a merchant bank of repute in Hong Kong selected and appointed jointly by the Company and the Convertible Bondholder. Whenever the Conversion Price is adjusted, the Company shall as soon as possible but not later than three (3) Business Days after the relevant adjustment has been determined give notice to the Convertible Bondholder setting out the details of the adjustment to the Conversion Price.

The anti-dilution adjustment provisions contained in the Convertible Bond are all customary in nature. The mechanism for the anti-dilution adjustment provisions in the Convertible Bond was negotiated by the parties on an arm's length basis with reference to the initial Conversion Price and the anti-dilution adjustment provisions commonly found in transactions involving issue of convertible bonds. In determining the anti-dilution adjustment provision concerning the issue of any securities less than 92% of the market price, the Directors took into account the relevant terms of other convertible bonds recently issued by other companies listed on the Stock Exchange and considered that the said 92% is within the range provided in such convertible bonds and is in accordance with the prevailing market practice. Given that the Conversion Price of HK$0.08 per Conversion Share represents a premium of approximately 21.21% to the closing price of the Shares of HK$0.0660 per Share on the Last Trading Day, the Directors are of the view that all the anti-dilution adjustment provisions contained in the Convertible Bond including but not limited to the adjustment provision set out in paragraph (iv) above were negotiated on an arm's length basis and are fair and reasonable, and the issue of the Convertible Bond pursuant to the terms and provisions of the Sale and Purchase Agreement and the Subscription Agreement in discharge of the Purchaser's payment obligations of the Consideration are in the best interests of the Company and its shareholders as a whole.

Maturity date: The third anniversary of the date of issue of the Convertible Bond

Interest rate:	2% per annum, payable at the end of each March, June, September and December commencing on the date of issue of the Convertible Bond on the principal amount of the Convertible Bond outstanding from time to time If the Company does not pay any sum payable under the Convertible Bond when due, it shall pay interest on the amount from time to time outstanding in respect of that overdue sum at the rate of eight (8) per cent. per annum for the period beginning on its due date and ending on the date of actual payment
Transferability:	The Convertible Bond is freely transferable (whether in whole or in part) provided that: (i) it may not, without the prior written consent of the Company, be transferred to any person who is at the time of such transfer a connected person of the Company; and (ii) the principal amount to be transferred is at least HK$1,000,000 and in integral multiples of HK$1,000,000
Conversion:	Subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, the Convertible Bondholder will have the right during the Conversion Period, to convert the whole or part of such principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price PROVIDED THAT any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirement as stipulated by the GEM Listing Rules at the time of such conversion
Conversion Shares:	Upon full conversion of the Convertible Bond and assuming no adjustment to the Conversion Price of HK$0.08 per Conversion Share and there is no further issue of the Shares (other than the Conversion Shares), a total number of 1,000,000,000 Conversion Shares will be issued upon conversion, representing approximately 60.87% of the number of Shares in issue and approximately 37.84% of the number of Shares in issue as enlarged by the issue of the Conversion Shares

Ranking of the Conversion Shares:	The Conversion Shares will rank pari passu in all respects among themselves and with other Shares in issue on the date of allotment and issue of such Conversion Shares
Early repayment:	The Company may upon mutual agreement with the Convertible Bondholder request for early repayment of all or part of the outstanding sums under the Convertible Bond on terms as may be mutually agreed between the Company and the Convertible Bondholder
Voting:	Holder of the Convertible Bond will not be entitled to attend or vote at any meetings of the Company by reason only of its being a bondholder
Listing:	No application will be made for the listing of, or permission to deal in the Convertible Bond on the Stock Exchange or any other stock exchange. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares that may be issued upon the conversion of the Convertible Bond

Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights attached to the Convertible Bond and the issue of the Conversion Shares are also subject to the memorandum and articles of association of the Company and the GEM Listing Rules. Any issue of the Conversion Shares or adjustment to the Conversion Price shall not be below the par value of the Shares.

The Conversion Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

The Conversion Price of HK$0.08 per Conversion Share represents:

(a) a premium of approximately 21.21% to the closing price of the Shares of HK$0.0660 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 17.99% to the average closing price of the Shares of HK$0.0678 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 14.94% to the average closing price of the Shares of HK$0.0696 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

(d) a premium of approximately 19.40% to the closing price of the Shares of HK$0.0670 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market price of the Shares and current market conditions.

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,642,950,000 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; for illustrative purpose: (ii) immediately after the exercise of the conversion rights attached to the Convertible Bond in full at the initial Conversion Price of HK$0.08 per Conversion Share; and (iii) immediately after the exercise of the conversion rights attached to the Convertible Bond at the initial Conversion Price of HK$0.08 per Conversion Share to the maximum extent that the Company will continue to meet the current public float requirement of 25% under the Listing Rules, assuming that there will be no other change in the shareholding structure of the Company immediately before the exercise of the conversion rights attached to the Convertible Bond will be as follows:

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding immediately after the full conversion of the Convertible Bond at the initial Conversion Price		Shareholding immediately after the conversion of the Convertible Bond at the initial Conversion Price to the maximum extent that the Company will continue to meet the public float requirement	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx.%*	*No. of Shares*	*Approx.%*
First Glory *(note 1)* and the Convertible Bondholder *(note 2)*	1,073,810,083	65.36	2,073,810,083	78.47	1,695,019,751	74.86
Mr. Lee Shun Hon, Felix *(note 3)*	3,100,000	0.19	3,100,000	0.12	3,100,000	0.14
Public Shareholders	566,039,917	34.45	566,039,917	21.41	566,039,917	25.00
Total	1,642,950,000	100.00	2,642,950,000	100.00	2,264,159,668	100.00

Notes:

1. First Glory directly holds 1,073,810,083 Shares of the Company (representing approximately 65.36% of the existing total issued share capital in the Company). First Glory also holds convertible bonds ("**Existing Convertible Bonds**") issued by the Company in the aggregate principal amount of HK$39 million pursuant to which a total of 650,000,000 Shares of the Company will be issued upon full conversion at the adjusted conversion price of HK$0.060 per share. Mr. Tang, an executive Director, is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the SFO, in the said 1,073,810,083 Shares and the Existing Convertible Bonds which First Glory is interested in.

2. Mr. Tang is the ultimate beneficial owner of the Vendor and First Glory. As such, the ultimate beneficial owner of First Glory shall be the same as the ultimate beneficial owner of the Convertible Bondholder. Upon full conversion of the Convertible Bond, a total number of 1,000,000,000 Conversion Shares will be issued upon conversion. However, this is only a hypothetical situation in the current shareholding structure. Pursuant to the terms of the Convertible Bond, any exercise of the conversion rights attached to the Convertible Bond shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirement as stipulated by the GEM Listing Rules at the time of such conversion. In order to maintain the current public float requirement of 25% under the GEM Listing Rules, the Convertible Bondholder can only convert up to 621,209,668 Conversion Shares in the current shareholding structure.

3. Mr. Lee Shun Hon, Felix is an executive Director.

As Mr. Tang is the ultimate beneficial owner of the Vendor and First Glory, the Acquisition and the issue of the Convertible Bond pursuant to the Subscription Agreement will not result in a change of control of the Company.

INFORMATION ON THE TARGET GROUP

Mark was incorporated in Hong Kong on 18 May 2007, having an authorised share capital of 10,000 ordinary shares, of which 1 share has been issued and fully paid up. It is wholly-owned by the Vendor.

Mark is principally engaged in investment holding. The Target Group comprises Mark and its direct wholly-owned subsidiaries, namely, IT HK, IT PRC and IT TW, all of which were incorporated in Hong Kong. IT HK was incorporated in March 1991, while IT PRC and IT TW were both recently incorporated in May 2012. The original purchase cost of IT HK was Yen 300,000,000.

IT HK is a franchisee of the Franchise within the area of Hong Kong and is principally engaged in operating restaurants, café and cake shops under the brand name "Italian Tomato" and other related brand names. IT HK holds the Franchise pursuant to various franchise agreements signed with the Franchisor since 1996. Pursuant to the supplemental agreement recently signed in May 2012, the term of the Franchise was extended and shall be effective until 31 August 2022, subject to automatic renewal of 10 years for the same terms every 10 years afterwards. As at the Latest Practicable Date, IT HK is operating 25 restaurants, café and cake shops in Hong Kong under the brand name "Italian Tomato" and other related brand names.

As IT PRC was recently incorporated in May 2012, it has not engaged in any business as at the Latest Practicable Date. IT PRC was set up by the Vendor and the set up cost is approximately HK$5,500. IT PRC has entered into a franchise agreement with the Franchisor on 1 June 2012 to develop the Franchise within the area of Guangdong Province, the People's Republic of China, which shall be effective for 20 years from the date of the agreement, subject to automatic renewal every 10 years afterwards.

As IT TW was recently incorporated in May 2012, it has not engaged in any business as at the Latest Practicable Date. IT TW was set up by the Vendor and the set up cost is approximately HK$5,500. IT TW has entered into a franchise agreement with the Franchisor on 15 June 2012 to develop the Franchise within the area of Taiwan, which shall be effective for 20 years from the date of the agreement, subject to automatic renewal every 10 years afterwards.

Set out below are certain audited consolidated financial information of the Target Group for each of the two financial years ended 31 December 2011:

	For the year ended 31 December 2010	**For the year ended 31 December 2011**
	HK$'000	*HK$'000*
Net profit before tax	7,668	8,528
Net profit after tax	6,374	7,127

The audited consolidated net asset value of the Target Group as at 31 March 2012 was approximately HK$13,928,000.

Upon completion of the Acquisition, the companies within the Target Group will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's financial results.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As discussed in the annual report of the Company for the financial year ended 31 March 2012, the Company will seek for further opportunities of growth in order to achieve the Company's ultimate goal as a market leader in the food and beverage industry. The Company has been exploring, both locally and overseas, different varieties of brands that will help to complement the Group's existing portfolio, and more importantly, enhance the Group's competitiveness. As IT HK generated profits and positive cash flows in the past few years and IT PRC and IT TW were established in May 2012 to further develop the Franchise within the area of Guangdong Province, the People's Republic of China and Taiwan respectively, the Board believes that the proposed Acquisition will offer business opportunities to the Group in developing new brands under the Group's food and beverage business that would further enhance the Group's income and strengthen the Group's market position.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bond) were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS

The Directors believe that the Acquisition will provide the Enlarged Group with business opportunities in developing new brands under the Group's food and beverage business that would strengthen the Group's market position. The Directors expect that the Acquisition will increase the income stream, bring additional stable earnings, and bring a long term benefit to the Enlarged Group and its shareholders.

Riding on the current network and existing establishments of the Target Group in Hong Kong, the Company will seek for further growth in the region through expansion of shop number, enhancement of brand recognition and increase in product mix. Upon completion of the Acquisition, more in-depth market research will be conducted in Guangdong and Taiwan regions by our seasoned management team for initiating the business under the Franchise. The Directors expect that it will take about 3 to 6 months to complete the market research. In particular, more resources will be directed for the identification of shop locations with business potential, research and development of new products and fine-tuning of the recipe of the existing products to adapt to the local consumer taste. Depending on the market acceptance and economic condition, it is proposed that outlets in each of the Guangdong and Taiwan regions will be opened in the first 12 months.

The Directors will closely evaluate the performance of the Target Group after the Acquisition and will conduct further study on the detailed business plans, taking into account the market acceptance and economic condition in the future. It is expected that the internal financial resources will be sufficient for funding the business development of the Target Group. As IT HK generated profits and positive cash flows in the past few years, the Company will mainly use the internal resources available from the Target Group for its business development. However, the Directors may also consider external resources in the forms of debt and/or equity financing for funding the business development should it become necessary.

Moreover, the Group will be benefited from business and financial synergy through the Acquisition. In particular, the production infrastructure, facilities and internal resources can be shared amongst the members of the Enlarged Group. As the financial position is strengthened, the Directors believe that the Enlarged Group will be more easily to obtain external financial resources when required at a much lower cost. Therefore, the efficiency, in terms of both operational and financial, will be improved.

Since the Franchise is a new business avenue to the Group, the operation may be subject to potential risks related to introduction of different company cultures, prolonged decision-making due to the enlarged company size, and more aggressive development due to more abundant internal resources available, which may introduce negative impacts on the Enlarged Group. Led by the experienced management team, however, the Board believes that such potential risks can be well controlled, managed and minimised.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets

As at 31 March 2012, the audited consolidated total assets of the Group amounted to approximately HK$112,977,000.

As set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 31 March 2012, the unaudited pro forma consolidated total assets of the Enlarged Group would be approximately HK$216,438,000.

Liabilities

As at 31 March 2012, the audited consolidated total liabilities of the Group amounted to approximately HK$72,782,000.

As set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 31 March 2012, the unaudited pro forma consolidated total liabilities of the Enlarged Group would be approximately HK$170,748,000.

Earnings

The Group recorded an audited consolidated loss of approximately HK$15,906,000 for the year ended 31 March 2012.

As set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 1 April 2011, the unaudited pro forma consolidated loss of the Enlarged Group for the year ended 31 March 2012 would be approximately HK$13,700,000.

Financial Impact

In view of the above figures and with reference to the financial results of the Target Group in the past, our Directors believe that the Enlarged Group's turnover will be increased, the financial results will then be improved from the proposed Acquisition. In addition, the Enlarged Group's net assets value will be increased and the financial position will be strengthened as well.

EQUITY FUND-RASING ACTIVITIES DURING THE PAST 12 MONTHS

The Company has not carried out any equity fund-raising activities during the 12 months immediately preceding the date of this circular, save and except the rights issue by the Company on the basis of one rights share for every two existing shares at HK$0.06 per rights share. The Company has raised approximately HK$31.8 million after expenses by way of the rights issue pursuant to which 547,650,000 ordinary shares of the Company have been issued. Please refer to the prospectus of the Company dated 28 October 2011 and the announcement of the Company dated 16 November 2011 for further details of the rights issue.

IMPLICATIONS UNDER THE GEM LISTING RULES

According to the applicable Percentage Ratios, the Acquisition exceeds 100% and constitutes a very substantial acquisition for the Company pursuant to the GEM Listing Rules. Since the Vendor is wholly-owned by Mr. Tang (who is an executive Director, the sole legal and beneficial owner of First Glory, the controlling shareholder of the Company), the Vendor is a Connected Person of the Company. The Acquisition therefore also constitutes a connected transaction of the Company under the GEM Listing Rules. The Acquisition and the respective transactions contemplated under the Sale and Purchase Agreement and the Subscription Agreement are subject to the Independent Shareholders' approval under the GEM Listing Rules.

As at the Latest Practicable Date, First Glory (which is wholly and beneficially owned by Mr. Tang) and its Associates held 1,073,810,083 Shares, representing approximately 65.36% interest in the total issued share capital of the Company. As Mr. Tang has a material interest in the Sale and Purchase Agreement, the Subscription Agreement and the Assignment of Loan, First Glory and its Associates are required to and will abstain from voting at the EGM to approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder

As Mr. Tang has a material interest in the transactions contemplated under the Sale and Purchase Agreement, the Assignment of Loan and the Subscription Agreement, he has abstained from voting on the relevant board resolutions.

GENERAL INFORMATION

The Group is principally engaged in the food and beverage business.

The Vendor is principally engaged in investment holding.

RECOMMENDATION

The Board is of the view that the terms of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bond).

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders concerning the ordinary resolution to be voted at the EGM; and (ii) the letter from the Independent Financial Adviser set out on pages 24 to 60 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders concerning the resolution to be voted at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Epicurean and Company, Limited
Tang Sing Ming Sherman
Chairman

epicurean 惟膳

Epicurean and Company, Limited
惟膳有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8213)

30 July 2012

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE BOND
PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES**

We refer to the circular of even date issued by the Company (the "Circular") to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder.

Having considered the advice from Messis Capital Limited, we are of the view that the terms of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bond) were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder to be presented at the EGM.

Yours faithfully,
Independent Board Committee

Bhanusak Asvaintra
Independent Non-Executive Director

Chan Kam Fai Robert
Independent Non-Executive Director

Chung Kwok Keung Peter
Independent Non-Executive Director

The following is the full text of the letter from Messis Capital Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

30 July 2012

To: The Independent Board Committee and the Independent Shareholders of Epicurean and Company, Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BOND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular (the "**Circular**") of the Company to the Shareholders dated 30 July 2012, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 June 2012, the Company announced, among other things, that on 25 June 2012, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the Sale Share, representing 100% of the existing issued share capital of Mark; and (ii) the Shareholder's Loan, representing the entire shareholder's loan due and owing by Mark to the Vendor, at the respective consideration of HK$69,980,454.04 and HK$10,019,545.96.

Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser shall procure the Company to enter into the Subscription Agreement with the Vendor or its nominee(s) upon Completion in relation to the subscription for and issue of the Convertible Bond, which is convertible into Conversion Shares at the Conversion Price, being HK$0.08 (subject to adjustment) per Conversion Share. The Conversion Shares will be issued under the Specific Mandate.

As set out in the Letter from the Board, the Acquisition constitutes a very substantial acquisition of the Company pursuant to the GEM Listing Rules as the applicable Percentage Ratios in respect of the Acquisition exceeds 100%. In addition, the Acquisition also constitutes a connected transaction of the Company pursuant to the GEM Listing Rules as the Vendor is a Connected Person of the Company by virtue of being wholly owned by Mr. Tang, who is an executive Director and the sole legal and beneficial owner of First Glory, the controlling shareholder of the Company. As such, the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder are subject to the Independent Shareholders' approval.

The EGM will be convened to consider, and if thought fit, approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company upon the exercise of the conversion rights attached to the Convertible Bond). First Glory and its Associates will abstain from voting at the EGM in respect of the resolution to approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder.

We, Messis Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (ii) whether the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; (iii) whether the Independent Shareholders should vote in favour of the resolution to approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continued to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Vendor, the Target Group, and their respective associates. Also, we have not considered the taxation implication on the Group or the Shareholders as a result of the transactions herein.

This letter is issued for the information of the Board solely in connection with their consideration of the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

During the financial year ended 31 March 2012, the Group was engaged in (i) the provision of food and beverage services (the "**F&B business**") and (ii) the provision of information solutions and design, development and sales of application software packages (the "**IT business**").

As set out in the annual report of the Company for the year ended 31 March 2012 (the "**AR2012**"), in light of the increasing competition in the information technology serving industry and the difficult operating environment, the Company entered into a sale and purchase agreement on 8 March 2012 to dispose of the entire IT business. The disposal was approved by the then independent Shareholders at an extraordinary general meeting held on 18 April 2012 and the Group is now only principally engaged in the F&B business.

The following table summarizes the audited consolidated financial results of the Group for the two financial years ended 31 March 2012 and 2011, which is extracted from the AR2012:

	For the year ended 31 March	
	2012	**2011**
	HK$'000	*HK$'000*
Turnover		
F&B business	89,272	32,226
IT business	49,107	56,108
	138,379	88,334
Loss for the year		
F&B business	(6,963)	(5,665)
IT business	(8,943)	(21,976)
	(15,906)	(27,641)
Loss for the year attributable to:		
Owners of the Company	(16,021)	(27,641)
Non-controlling interests	115	–
	(15,906)	(27,641)

As shown in the above table, revenue derived from the F&B business increased from approximately HK$32.2 million for the year ended 31 March 2011 to approximately HK$89.3 million for the year ended 31 March 2012, representing an increase of approximately 177%. Also, the Group recorded a net loss attributable to owners of the Company of approximately HK$15.9 million for the year ended 31 March 2012, representing a decrease of approximately 42% from approximately HK$27.6 million for the previous financial year.

The table below summarizes the consolidated financial position of the Group as at 31 March 2012 and 2011, which is extracted from the AR2012:

	As at 31 March	
	2012	**2011**
	HK$'000	*HK$'000*
Current assets	62,410	48,759
Non-current assets	35,456	12,785
Assets of a disposal group (the IT business) classified as held for sale	15,111	16,093
Current liabilities	63,215	12,854
Non-current liabilities	2,019	36,714
Liabilities directly associated with assets held for sale	7,548	4,472
Total equity attributable to:		
Owners of the Company	39,037	23,597
Non-controlling interests	1,158	–
	40,195	23,597

As set out in the table above, as at 31 March 2012, the Group's audited consolidated net assets were approximately HK$40.2 million.

2. The Sale and Purchase Agreement

Information on the Target Group

Principal business

Mark was incorporated in Hong Kong on 18 May 2008, having an authorized share capital of 10,000 ordinary shares, of which 1 share has been issued and fully paid up. Mark is wholly-owned by the Vendor.

Mark is principally engaged in investment holding. The Target Group comprises Mark and its direct wholly-owned subsidiaries, namely, IT HK, IT PRC and IT TW, all of which were incorporated in Hong Kong. IT HK was incorporated in March 1991, while IT PRC and IT TW were both recently incorporated in May 2012. The original purchase cost of IT HK was Yen 300,000,000.

IT HK is a franchisee of the Franchise within the area of Hong Kong and is principally engaged in operating restaurants, café and cake shops under the brand name "Italian Tomato" and other related brand names. IT HK holds the Franchise pursuant to various franchise agreements signed with the Franchisor since 1996. Pursuant to the supplemental agreement recently signed in May 2012, the terms of the Franchise was extended and shall be effective until 31 August 2022, subject to automatic renewal of 10 years for the same terms every 10 years afterwards. As at the Latest Practicable Date, IT HK is operating 25 restaurants, café and cake shops in Hong Kong under the brand name "Italian Tomato" and other related brand names.

IT PRC was recently incorporated in May 2012. It has not engaged in any business as at the Latest Practicable Date. IT PRC was set up by the Vendor and the set up cost is approximately HK$5,500. IT PRC has entered into a franchise agreement with the Franchisor on 1 June 2012 to develop the Franchise within the area of Guangdong Province, the PRC, which shall be effective for 20 years from the date of the agreement, subject to automatic renewal every 10 years afterwards.

IT TW was recently incorporated in May 2012. It has not engaged in any business as at the Latest Practicable Date. IT TW was set up by the Vendor and the set up cost is approximately HK$5,500. IT TW has entered into a franchise agreement with the Franchisor on 15 June 2012 to develop the Franchise within the area of Taiwan, which shall be effective for 20 years from the date of the agreement, subject to automatic renewal every 10 years afterwards.

Historical financial performance

Set out below are certain audited consolidated financial information of the Target Group for each of the two financial years ended 31 December 2011:

	For the year ended 31 December	
	2010	**2011**
	HK$'000	*HK$'000*
Net profits before tax	7,668	8,528
Net profits after tax	6,374	7,127

The audited consolidated net asset value of the Target Group as at 31 March 2012 was approximately HK$13,928,000.

Upon completion of the Acquisition, the companies within the Target Group will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's financial results.

Reasons for and benefits of the Acquisition

Corporate strategy of the Group

As mentioned above, after the financial year ended 31 March 2012, the Group disposed of its IT business and is now only engaged in the F&B business. We noted from the AR2012 that the Company would seek for further opportunities of growth in order to achieve the Company's ultimate goal as a market leader in the food and beverage industry. The Company has been exploring, both locally and overseas, different varieties of brands that will help to complement the Group's existing portfolio, and more importantly, enhance the Group's competitiveness.

IT HK is a franchisee of the Franchise within the area of Hong Kong and is principally engaged in operating restaurants, café and cake shops under the brand name "Italian Tomato" and other related brand names. Both of IT PRC and IT TW will develop the Franchise within the area of Guangdong Province, the PRC, and Taiwan respectively pursuant to the franchise agreements they have respectively entered into with the Franchisor in June 2012. As such, the principal business of the Target Group is in line with that of the Group, being the F&B business.

In addition, IT HK generated profits and positive cash flows in the past few years. For the year ended 31 December 2010 and 2011, the audited net profits after tax of the Target Group were approximately HK$6,374,000 and HK$7,127,000 respectively.

In view of the above, the Directors consider that the proposed Acquisition will offer business opportunities to the Group in developing new brands under the Group's F&B business and will further enhance the Group's income and strengthen the Group's market position.

We noted that IT PRC and IT TW have only recently entered into the franchise agreements with the Franchisor in June 2012 and that both of IT PRC and IT TW have not yet commenced business as at the Latest Practicable Date. We understand from the management of the Group that more resources will be directed for the expansion of the Target Group's business into the Guangdong Province, the PRC and Taiwan. The future prospects of the Target Group will be affected depending on its future business operation, market acceptance of its products as well as the general economic conditions.

There may be a number of potential risks associated with the expansion of the Target Group's business, in particular, in relation to IT PRC and IT TW. For instance, a potential risk to the Group may arise as the resources required for the business expansion of the Target Group will be funded by the Group's internal resources and the Directors may consider external resources in the forms of debt and/or equity financing for funding the business development should it become necessary. In addition, the operation and prospect of the Target Group may be affected by factors such as potential risks related to introduction of different company cultures, prolonged decision-making due to the enlarged company size, and more aggressive development due to more abundant internal resources available. Nonetheless, having considered that (i) as advised by the Directors, the Group will conduct further study on the detailed business plans for future expansion in relation to the business of the Target Group, taking into account the market acceptance and economic condition in the future; (ii) the Target Group has existing establishments including but not limited to the brand name of "Italian Tomato" and other related brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong; (iii) IT HK was able to generate profits and positive cash flows in the past few years; and (iv) as advised by the Directors, the Company will mainly use the internal resources available from the Target Group itself, specifically, positive cash flow generated by IT HK, for the business development of IT PRC and IT TW, we are of the view that the risks associated with the future development potential of the business of IT PRC and IT TW are acceptable to the Company and the Shareholders as a whole.

Industry overview

We noted that according to the Census and Statistics Department of the Government of Hong Kong (the "**Census and Statistics Department**"), the number of establishments engaged in the provision of food and beverage services increased from 12,883 in December 2007 to 15,757 in December 2011, representing a compound annual growth rate of approximately 5.2%:

	December 2007	December 2008	December 2009	December 2010	December 2011
Number of establishments *(note)* engaged in the provision of food and beverage services	12,883	12,649	13,780	14,933	15,757

Source: the Census and Statistics Department

Note:

An establishment is defined by the Census and Statistics Department as "an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location, for example, an individual factory, workshop, retail shop or office". Establishments engaged in the provision of food and beverage services include all catering establishments registered with the Business Registration Office of the Inland Revenue Department based on the classification standard of the Hong Kong Standard Industrial Classification Version 2.0.

Data published by the Census and Statistics Department also shows that the total restaurant receipts in Hong Kong increased from HK$69,885 million in 2007 to HK$89,321 million in 2011, representing a compound annual growth rate of approximately 6.3%:

	2007	2008	2009	2010	2011
Total restaurant receipts *(note) (HK$ million)*	69,885	78,984	79,863	83,959	89,321

Source: the Census and Statistics Department

Note:

According to the Census and Statistics Department, total receipts for accommodation and food services is the sum of (i) sales of food, beverages and other goods, (ii) room sales and receipts for services rendered, (iii) rental income from letting/subletting land and premises, and (iv) income from other sources. Statistics on restaurant receipts are compiled from the results of the Quarterly Survey of Restaurant Receipts and Purchases conducted by the Census and Statistics Department and are based on the Hong Kong Standard Industrial Classification Version 2.0. The survey aims to present up-to-date information on the consumer spending in the restaurants sector and includes sampled establishments drawn from all catering establishments registered with the Business Registration Office of the Inland Revenue Department. For each survey round, questionnaires are mailed to sampled establishments and data are collected by post, supplemented by telephone or face-to-face enumeration and verification as necessary.

The above data suggests that the food and beverage industry in Hong Kong, in which the Target Group principally operates, exhibited a general growing trend in the past few years and that the total restaurant receipts have been growing at a faster rate than that of the number of establishments engaged in the provision of food and beverage services. However, Independent Shareholders should note that despite the favourable business trend of the industry in which the Target Group principally operates as exhibited by the abovementioned data, such data only provide a general overview of the food and beverage industry in Hong Kong for reference and should not be used in isolation as an indication as to whether the future prospects of the Target Group is favourable or not.

Our view

Having considered that (i) the proposed Acquisition is in line with the corporate strategy of the Group of seeking further opportunities for the growth of its F&B business and exploring different varieties of brands that will help to complement the Group's existing portfolio and enhance the Group's competitiveness; (ii) there is future development potential of the business of the Target Group as IT PRC and IT TW will develop the Franchise within the area of Guangdong Province, the PRC, and Taiwan respectively pursuant to the franchise agreements they have respectively entered into with the Franchisor in June 2012; (iii) the Target Group has existing establishments including but not limited to the brand name of "Italian Tomato" and other related brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong; (iv) the food and beverage industry in Hong Kong exhibited a general growing trend in the past few years; and (v) IT HK generated profits and positive cash flows in the past few years, we concur with the view of the Directors that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

Consideration for the Acquisition

The Consideration for the Acquisition is HK$80,000,000, of which HK$69,980,454.04 is the consideration for the Sale Share and the remaining HK$10,019,545.96 is the consideration for the Shareholder's Loan. As disclosed in the Letter from the Board, the Consideration was determined after arm's length negotiations based on normal commercial terms and, (a) in relation to the Sale Share, with reference to (i) the historical performance of the Target Group, in particular, the price-to-earnings ratio represented by the Consideration based on the audited net profits of the Target Group for the year ended 31 December 2011, (ii) the future development potential of the Target Group, including but not limited to the recently acquired franchise rights within the areas of Guangdong Province, the PRC and Taiwan, and (iii) the existing establishment of the Target Group including but not limited to the brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong; and (b) in relation to the Shareholder's Loan, on a dollar-for dollar basis. The Consideration is to be fully settled by the Purchaser procuring the Company to issue the Convertible Bond in the aggregate principal amount of HK$80,000,000 upon Completion.

In order to access the fairness and reasonableness of the consideration for the acquisition of the Target Group, we consider that we should have regard to the aggregate Consideration of HK$80,000,000 instead of merely the consideration of HK$69,980,454.04 for the Sale Share having considered that (i) the Shareholder's Loan is the loan due and owing by Mark (being the holding company of the Target Group) to the Vendor, and the consideration for the Shareholder's Loan was on a dollar-for-dollar basis; (ii) the acquisition of the Shareholder's Loan is part of the Acquisition pursuant to the Sale and Purchase Agreement; and (iii) the Shareholder's Loan will, upon Completion, become a loan due to the Purchaser, an indirect wholly-owned subsidiary of the Company, and will therefore be eliminated in the Group's consolidated statement of financial position after Completion.

Comparison with other comparable companies

In accessing the fairness and reasonableness of the Consideration, we note that the price-to-earnings ratio ("**PER**") and the price-to-book ratio ("**PBR**") approaches are widely adopted approaches. In this regard, we compared the implied PER and PBR represented by the Consideration with the PERs and PBRs of other listed companies engaged principally in business similar to that of the Target Group.

Nonetheless, we noted that companies in the food and beverage industry, including the Target Group, do not typically derive revenue from machineries, properties or other fixed assets owned by them. Instead, their financial performance is more dependent on factors such as the perception of their customers or potential customers on their food quality, service quality, brand names, locations, etc., which typically are not reflected on their balance sheets and are therefore not accounted for in their respective net asset values, on which the PBR approach relies. As such, we consider that the PBR approach is of a lower relevance and importance in accessing the fairness and reasonableness of the Consideration, and that we shall rely primarily on the result of the PER approach and shall use the PBR approach for reference only.

Based on the net profits after tax of the Target Group for the year ended 31 December 2011, being approximately HK$7,127,000 as disclosed in the Letter from the Board, the Consideration represents a PER of approximately 11.22 times. Based on the audited consolidated net asset value of the Target Group as at 31 March 2012, being approximately HK$13,928,000 as disclosed in the Letter from the Board, the Consideration represents a PBR of approximately 5.74 times.

For comparison purpose, we have, on a best effort basis, conducted a search of comparable companies (the "**Industry Comparables**") which meet the criteria of (i) having listed on the Stock Exchange or seeking listing on the Stock Exchange with prospectuses published on or before 25 June 2012, being the date of the Sale and Purchase Agreement; and (ii) their businesses being closely comparable with that of the Target Group, namely, the operation of restaurants, café and cake shops, for their latest financial year; and (iii) having more than 50% of their consolidated revenue being derived from the operation of restaurants, café and/or cake shops for their latest financial year.

Based on the abovementioned criteria, we have identified 10 Industry Comparables by searching through published information on the Stock Exchange's website. Among the 10 Industry Comparables, nine were listed on the Stock Exchange and one was seeking listing on the Stock Exchange as at 25 June 2012, namely, Xiao Nan Guo Restaurants Holdings Limited ("**Xiao Nan Guo**"). We also noted that Xiao Nan Guo was subsequently listed on the Stock Exchange on 4 July 2012. To the best of our knowledge, effort and endeavor and based on our search conducted according to the abovementioned criteria, we consider that the list of Industry Comparables is an exhaustive list of those fair and representative comparables for comparison purpose.

Independent Shareholders should note that while the principal business of the Target Group includes the operation of restaurants, café and cake shop with the main brand name of "Italian Tomato", the principal businesses of the Industry Comparables include a variety of business specialties and business models within the food and beverage industry such as the operation of fast food chains, Chinese cuisine restaurants, Japanese cuisine restaurants, bakery retail chain, and/or a combination of the above. In addition, the Industry Comparables may also have other operations such as the manufacture of noodles, property investments, etc. that are not comparable with and/or are unrelated to the principal business of the Target Group. We wish to highlight to the Independent Shareholders that none of such Industry Comparables operates with the exact same composition of food specialties and business model as the Target Group whose main brand name is "Italian Tomato" and that the PER and PBR of each of the Industry Comparables may be sensitive to the specific circumstances facing each of the Industry Comparables such as their own business model and business specialties. Nonetheless, having considered that (i) despite the differences in the specific circumstances facing each of the Industry Comparables, all Industry Comparables are principally engaged in the same industry of food and beverage; (ii) one of the criteria for choosing Industry Comparables is that all Industry Comparables must be listed on the Stock Exchange or seeking listing on the Stock Exchange with prospectuses published on or before 25 June 2012, being the date of the Sale and Purchase Agreement, so as to ensure that the comparison is meaningful under the same context and valuation standard adopted by investors participating in the stock market operated by the Stock Exchange, on which the Company is listed; and (iii) all Industry Comparables are selected based on the criteria that they must have more than 50% of their consolidated revenue being derived from the operation of restaurants, café and/or cake shops for their latest financial year, where the percentage ratio of 50% was used because it ensures that all Industry Comparables chosen are principally engaged in the operation of restaurants, café and/or cake shops and generated the majority of their respective revenue for their latest financial year from such business operations, we consider that the PERs and PBRs of the Industry Comparables listed below still offer a good reference for comparison purpose.

We have computed the PER and PBR for each of the Industry Comparables based on (i) their respective market capitalization as at 25 June 2012 with reference to the closing price of their respective shares as quoted on the Stock Exchange on 25 June 2012 (or, for Xiao Nan Guo, with reference to the offer price as stated in its prospectus); and (ii) in relation to PER, the net profit attributable to the equity holders of the Industry Comparables as set out in their respective latest annual reports published on or before 25 June 2012 (or, for Xiao Nan Guo, as set out in its prospectus), and, in relation to PBR, the equity attributable to the equity holders of the Industry Comparables as set out in their respective latest annual reports or interim reports, whichever is more recent published on or before 25 June 2012 (or, for Xiao Nan Guo, as set out in its prospectus). Whenever the financial information of the Industry Comparables was presented in RMB in their respective annual reports and/or interim reports, we have converted the relevant RMB amounts into HK$ based on a reference exchange rate of RMB1:HK$1.22 which is solely for purpose of this comparison only.

We set out our findings in the table below:

Industry Comparables (stock code)	**Principal business**	**PER** *(approximate times)*	**PBR** *(approximate times)*
Fairwood Holdings Limited (52)	Operation of fast food restaurants and property investments	13.25	3.54
Cafe de Coral Holdings Limited (341)	Operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business	22.21	3.48
Ajisen (China) Holdings Limited (538)	Operation of restaurants, manufacture and sales of noodles and related products	16.20	1.89
Tao Heung Holdings Limited (573)	Restaurant and bakery operations, provision of food catering services, production, sale and distribution of food products and operating items related to restaurant operations	15.43	2.82

Industry Comparables (stock code)	Principal business	PER *(approximate times)*	PBR *(approximate times)*
Future Bright Holdings Limited (703)	Sales of food and beverage and property investment *(note)*	5.81	1.69
Tang Palace (China) Holdings Limited (1181)	Operation of restaurants and provision of food and beverage and table services	10.49	1.57
Christine International Holdings Limited (1210)	Operation of a retail bakery chain	12.01	1.38
Xiao Nan Guo Restaurants Holdings Limited (3666)	Operation of Chinese cuisine full-service restaurant chain	16.95	2.53
Gayety Holdings Limited (8179)	Operation of a chain of Chinese restaurants	8.52	2.25
Noble House (China) Holdings Limited (8246)	Operation of a chain of Chinese restaurants	39.77	3.63
Maximum		**39.77**	**3.63**
Minimum		**5.81**	**1.38**
Mean		**16.06**	**2.48**
The Acquisition		**11.22**	**5.74**

Source: the Stock Exchange

Note:

According to the latest annual report of Future Bright Holdings Limited ("**Future Bright**") for the year ended 31 December 2011, the principal activities of Future Bright were the sales of food and beverage and property investment. Future Bright's food and beverage business contributed 97.5% of all of its revenue for the year ended 31 December 2011. Future Bright operates a number of restaurants, food counters and stores that are mostly located inside well-known hotels in Macau and include a variety of different type of cuisines such as Chinese cuisine, Chinese Shanghai cuisine, Chinese hot pot, Chinese tonic, Italian cuisine, Japanese cuisine, Japanese fast food, Portuguese cuisine, Taiwanese cuisine, coffee shops and kiosks, food court counters and staff canteens.

As set out in the above table, the implied PER represented by the Consideration, being approximately 11.22 times, is below the mean of approximately 16.06 times for the Industry Comparables and falls within the range of the PER of the Industry Comparables from approximately 5.81 times to approximately 39.77 times.

However, we noted that the implied PBR represented by the Consideration, being approximately 5.74 times, is higher than the mean of approximately 2.48 times for the Industry Comparables and is beyond the range of the PBR of the Industry Comparables from approximately 1.38 times to approximately 3.63 times.

In computing the implied PBR represented by the Consideration, we have made reference to the audited consolidated net asset value of the Target Group as at 31 March 2012 (the "**NAV 2012**"), being approximately HK$13,928,000. We noted that the Shareholder's Loan, being the entire shareholder's loan due and owing by Mark to the Vendor and in the aggregate amount of HK$10,019,545.96, was incorporated in the NAV 2012. As the Purchaser agreed to purchase the Shareholder's Loan as part of the Acquisition pursuant to the Sale and Purchase Agreement, the Shareholder's Loan will, upon Completion, become a loan due to the Purchaser, an indirect wholly-owned subsidiary of the Company, and will therefore be eliminated in the Group's consolidated statement of financial position after Completion. Details of such elimination are set out in the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to the Circular. As such, we consider that it is fair and reasonable to exclude the Shareholder's Loan in computing the NAV 2012 of the Target Group.

If the Shareholder's Loan, having the aggregate amount of HK$10,019,545.96, is excluded in the computation, the consolidated net asset value of the Target Group as at 31 March 2012 would become approximately HK$23,948,000 (the "**Adjusted NAV 2012**"). Based on the Adjusted NAV 2012, the implied PBR represented by the Consideration would become approximately 3.34 times (the "**Adjusted PBR**") instead of approximately 5.74 times which is based on the original NAV 2012.

We noted that the Adjusted PBR of approximately 3.34 times is higher than the mean of approximately 2.48 times for the Industry Comparables but is within the range of the PBR of the Industry Comparables from approximately 1.38 times to approximately 3.63 times.

Independent Shareholders should note that as mentioned above, we consider that in order to access the fairness and reasonableness of the consideration for the acquisition of the Target Group, we should have regard to the aggregate Consideration of HK$80,000,000 instead of merely the consideration of HK$69,980,454.04 for the Sale Share ("**Treatment One**"). On the other hand, in computing the Adjusted NAV 2012, we consider that it is fair and reasonable to exclude the Shareholder's Loan ("**Treatment Two**"). We wish to highlight that the Shareholder's Loan will, upon Completion, become a loan due to the Purchaser, an indirect wholly-owned subsidiary of the Company, and will therefore be eliminated in the Group's consolidated statement of financial position after Completion. So far as the Company and the Shareholders are concerned, the acquisition of the Sale Share is the key subject matter of the Acquisition because the Shareholder's Loan, although also being acquired as part of the Acquisition, will in any event be eliminated in the Group's consolidated financial statement upon Completion. Treatment One and Treatment Two are consistent with each other as they are both based on such same premise that we should have regard to the aggregate Consideration of HK$80,000,000 when considering the acquisition of the Sale Share and that the Shareholder's Loan will be eliminated in the Group's consolidated financial statement upon Completion.

Our view

Notwithstanding the PBR represented by the Consideration is higher than the upper bound of the range of the PBR of the Industry Comparables, having considered that (i) the PER represented by the Consideration, being approximately 11.22 times, is approximately 30.14% lower than the mean of the PER of approximately 16.06 times for the Industry Comparables, (ii) the Adjusted PBR, which is calculated based on the Adjusted NAV 2012 after excluding the Shareholder's Loan, is within the range of the PBR of the Industry Comparables, (iii) as mentioned above, we consider that the PBR approach is of a lower relevance and importance in accessing the fairness and reasonableness of the Consideration due to the nature of the operations of companies in the food and beverage industry, and that we shall rely primarily on the result of the PER approach and shall use the PBR approach for reference only and (iv) the Consideration is to be fully settled by the Purchaser procuring the Company to issue the Convertible Bond in the aggregate principal amount of HK$80,000,000 upon Completion and thereby requires no immediate cash outlay by the Group, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

We noted, however, that the range of the PERs of the Industry Comparables is relatively wide. This might be due to the differences in the specific circumstances facing each of the Industry Comparables. Given such relatively wide range, we consider that comparison of the PER represented by the Consideration with the PERs of the Industry Comparables may not be useful as a direct reference to the valuation implied by the Consideration. We also wish to highlight that each of the Industry Comparables may not be entirely comparable with the Target Group in terms of the specialties of the catering business, the types of food and cuisine provided, the scale of operations, track records, future prospects and other relevant aspects. For instance, the Target Group is principally engaged in the operation of restaurants, café and cake shops under the brand name “Italian Tomato” and other related brand names, while the principal businesses of the Industry Comparables include the operation of fast food chains, Chinese cuisine restaurants, Japanese cuisine restaurants, bakery retail chain, etc. and none of the Industry Comparables operates with the exact same composition of food specialties and business models as the Target Group. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above companies together with all other factors stated in this letter as a whole. Nonetheless, having considered that (i) the PER approach is a widely adopted approach for valuation and comparison purposes and, when compared with other popular approaches such as the discounted cash flow approach and the dividend discount model, the PER approach offers a more direct and readily available result and does not depend on abstract and unreliable assumptions and factors regarding the Target Group and the Industry Comparables such as their respective streams of forecasted future cash flows, risk-adjusted rate of return, and/or future dividend payout ratio and growth rate, which are necessary and sensitive components for the discounted cash flow approach and the dividend discount model; and (ii) despite the differences in the specific circumstances facing each of the Industry Comparables, all Industry Comparables are principally engaged in the same industry of food and beverage with more than 50% of their consolidated revenue being derived from the operation of restaurants, café and/or cake shops for their latest financial year, we consider that the PER approach, together with the assistance of the PBR approach based on the Adjusted PBR for reference purpose, provide a reasonable basis for us to form our view regarding the fairness and reasonableness of the Consideration.

3. The Subscription Agreement

Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure the Company to enter into the Subscription Agreement with the Vendor or its nominee(s) upon Completion in relation to the subscription for and issue of Convertible Bond. The issue of the Convertible Bond by the Company to the Vendor or its nominee(s) pursuant to the Subscription Agreement shall constitute a full and absolute discharge of the Purchaser's payment obligations of the Consideration under the Sale and Purchase Agreement.

Issue of the Convertible Bond

The principal terms of the Convertible Bond (which are set out in the Subscription Agreement and agreed by the parties under the Sale and Purchase Agreement) are summarized as follows:

Total principal amount	:	HK$80,000,000
Issue price	:	At the full value of the Convertible Bond
Redemption	:	Unless previously converted, the Company shall repay the Convertible Bond in full with all interest accrued thereon up to and including the maturity date
Conversion Price	:	HK$0.08 per Conversion Share, subject to adjustments for, among other things, customary anti-dilution provisions summarized below
Anti-dilution adjustments	:	The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including but not limited to the followings:– (i) consolidation, sub-division or reclassification of the Shares; (ii) capitalization of profits or reserves; (iii) capital distribution of Shares; and

(iv) the Company's issue for cash any Shares or other securities which are convertible into new Shares, and the consideration per Share initially receivable for such securities is less than 92% of the market price as at the date of the announcement of the terms of issue of such securities. For the purpose of this provision, "market price" means the average of the closing price per Share for each of the last ten Stock Exchange trading days on which dealings in the Shares on the Stock Exchange took place ending on such trading day last preceding the day on or as of which the market price is to be ascertained.

Maturity date	:	The third anniversary of the date of issue of the Convertible Bond
Interest rate	:	2% per annum, payable at the end of each March, June, September and December commencing on the date of issue of the Convertible Bond on the principal amount of the Convertible Bond outstanding from time to time If the Company does not pay any sum payable under the Convertible Bond when due, it shall pay interest on the amount from time to time outstanding in respect of that overdue sum at the rate of eight (8) per cent per annum for the period beginning on its due date and ending on the date of actual payment

Transferability	:	The Convertible Bond is freely transferable (whether in whole or in part) provided that: (i) it may not, without the prior written consent of the Company, be transferred to any person who is at the time of such transfer a connected person of the Company; and (ii) the principal amount to be transferred is at least HK$1,000,000 and in integral multiples of HK$1,000,000
Conversion	:	Subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, the Convertible Bondholder will have the right during the Conversion Period, to convert the whole or part of such principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price provided that any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirement as stipulated by the GEM Listing Rules at the times of such conversion
Conversion Shares	:	Upon full conversion of the Convertible Bond and assuming no adjustment to the Conversion Price of HK$0.08 per Conversion Share and there is no further issue of the Shares (other than the Conversion Shares), a total number of 1,000,000,000 Conversion Shares will be issued upon conversion, representing approximately 60.87% of the number of Shares in issue and approximately 37.84% of the number of Shares in issue as enlarged by the issue of the Conversion Shares
Ranking of the Conversion Shares	:	The Conversion Shares will rank pari passu in all respects among themselves and with other Shares in issue on the date of allotment and issue of such Conversion Shares

Early repayment	:	The Company may upon mutual agreement with the Convertible Bondholder request for early repayment of all or part of the outstanding sums under the Convertible Bond on terms as may be mutually agreed between the Company and the Convertible Bondholder
Voting	:	Holder of the Convertible Bond will not be entitled to attend or vote at any meetings of the Company by reason only of its being a bondholder
Listing	:	No application will be made for the listing of, or permission to deal in, the Convertible Bond on the Stock Exchange or any other stock exchange. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be issued upon the conversion of the Convertible Bond

Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights attached to the Convertible Bond and the issue of the Conversion Shares are also subject to the memorandum and articles of association of the Company and the GEM Listing Rules. Any issue of the Conversion Shares or adjustment to the Conversion Price shall not be below the par value of the Shares.

The Conversion Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

Comparison of the Conversion Price with the prevailing Share price

The Conversion Price of HK$0.08 per Conversion Share represents:

(a) a premium of approximately 21.21% to the closing price of the Shares of HK$0.0660 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 17.99% to the average closing price of the Shares of HK$0.0678 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 14.94% to the average closing price of the Shares of HK$0.0696 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

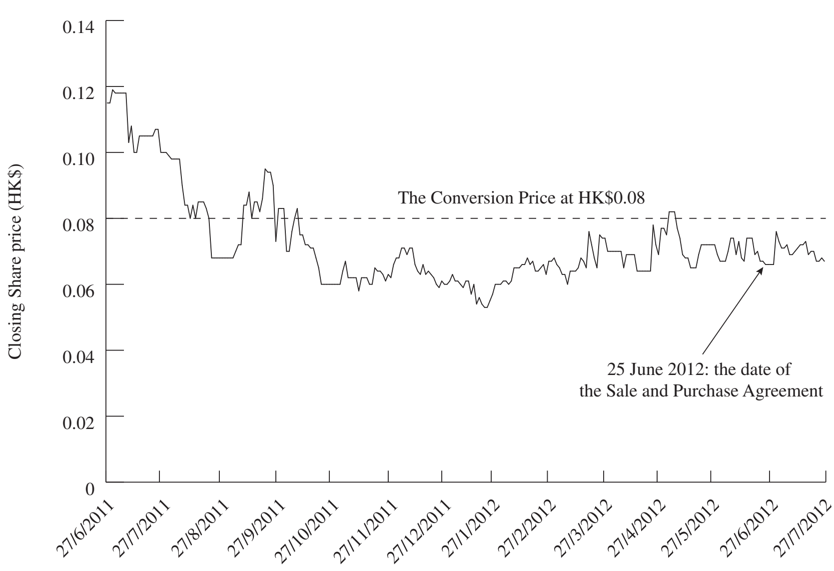
(d) a premium of approximately 19.40% to the closing price of the shares of HK$0.0670 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

As set out in the Letter from the Board, the Conversion Price was determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market price of the Shares and current market conditions.

Review of historical Share price

For the purpose of assessing the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the 12-month period prior to the date of the Sale and Purchase Agreement and the period commencing from the date of the Sale and Purchase Agreement and up to and including the Latest Practicable Date (the "**Share Price Review Period**"). As 26 June 2011, being the date that was 12 months prior to the date of the Sale and Purchase Agreement, was not a trading day, we have set 27 June 2011 as the commencement date of the Share Price Review Period.

Daily closing Share Price of Epicurean and Company, Limited



Source: the Stock Exchange

As set out in the chart above, during the Share Price Review Period, the daily closing prices of the Shares ranged from HK$0.053 to HK$0.119 per Share. The Share price closed at HK$0.067 on the Latest Practicable Date. The average closing price of the Shares during the Share Price Review Period was approximately HK$0.073 per Share.

We noted that the Conversion Price of HK$0.08 per Conversion Share is higher than the average closing price of the Shares during the Share Price Review Period, being approximately HK$0.073 per Share, and lies within the range of the daily closing prices of the Shares during the Share Price Review Period from HK$0.053 to HK$0.119 per Share.

We further noted that during the Share Price Review Period, the closing prices of the Shares have never been at or above the Conversion Price of HK$0.08 for approximately 9 months since 11 October 2011 except for three trading days in May 2012 on which the Share prices closed at HK$0.082 per Share, which is only slightly higher than the Conversion Price of HK$0.08. In addition, we noted that out of the 247 trading days since the start of the Share Price Review Period (being 27 June 2011) and up to the date of the Sale and Purchase Agreement (being 25 June 2012), only on 59 trading days that the price of the Shares closed at or above HK$0.08 per Share.

Comparison with other issues of convertible securities

In order to assess the fairness and reasonableness of the Convertible Bond with respect to the term to maturity, interest/coupon rate and the Conversion Price, we have conducted a search, on the best effort basis, on all issues of convertible bonds/notes by companies listed on the GEM of the Stock Exchange during the 12-month period prior to the date of the Sale and Purchase Agreement, i.e., since 26 June 2011 and up to and including 25 June 2012 (the "**CB Comparables**").

The purpose of the CB Comparables is to provide reference on the recent market practice in determining the term to maturity, interest/coupon rate and the conversion price in relation to the issue of convertible bonds/notes. Given that the determination of interest/coupon rate and conversion price are affected by market sentiment as well as the overall stock market environment which are ever-changing, we have chosen the issues of convertible bonds/notes by companies listed on the GEM as aforesaid during the 12-month period before the date of the Sale and Purchase Agreement in order to present the most recent market practice in determining the interest/coupon rate, the conversion price and other principal terms and compare with those of the Convertible Bond. We are of the view that the CB Comparables are able to reflect the prevailing market conditions and provide a relevant and appropriate reference for our analysis of the terms of the Convertible Bond. As such, to the best of our knowledge, effort and endeavor and based on our search conducted according to the abovementioned criteria, we consider that the list of CB Comparables is an exhaustive list of those fair and representative comparables for comparison purpose.

Shareholders should note that (i) the CB Comparables may be substantially different from the Company in terms of the business, operation and prospects and therefore may have substantially different company specific risks which would affect the terms of the convertible bonds/notes acceptable to holders; and (ii) the principal terms of the convertible securities issuance (i.e., principal amount, term to maturity, interest/coupon rate and conversion price) should be considered in whole rather than in isolation. Nonetheless, we consider that the CB Comparables still offer a good reference for the comparison purpose.

Based on the abovementioned criteria, we have identified CB Comparables comprising 14 companies listed on the GEM of the Stock Exchange with 17 issues of convertible bonds/notes by searching through information published on the website of the Stock Exchange. We set out our findings in the table below:

CB Comparables

				The issue of convertible bond/note					
	Date of announcement	Company (Stock code)	Closing share price as at the last trading day prior to the announcement *(HK$)*	Principal amount *(HK$ million)*	Term to maturity *(years)*	Coupon/ interest rate *(% per annum)*	Conversion price *(HK$)*	Anti-dilution adjustment provisions	Approximate premium/ (discount) of the conversion price to the closing share price on the last trading day *(%)*
1	21 Jul 2011	Inno-Tech Holdings Limited (8202)	0.365	1,490.7	3	0%	0.380	Yes	4.11%
2	21 Jul 2011	China E-Learning Group Limited (8055)	0.370	42.0	1	3%	0.500	Yes	35.14%
3	8 Aug 2011	Eternite International Company Limited (8351)	0.900	2.0	3	0%	1.000	Yes	11.11%
4	8 Aug 2011	TLT Lottotainment Group Limited (8022)	0.095	50.0	1 *(note 1)*	18%	0.060	Yes	(36.84)%
5	25 Aug 2011	Netel Technology (Holdings) Limited (8256)	0.070	3.5	2 *(note 2)*	4%	0.100	Yes	42.86%
6	28 Sep 2011	Mobile Telecom Network (Holdings) Limited (8266)	0.154	10.0	3	0%	0.145	Yes	(5.84)%
7	11 Oct 2011	Tsun Yip Holdings Limited (8356)	0.485	607.0	3	5%	0.196	Yes	(59.59)%

	Date of announcement	Company (Stock code)	Closing share price as at the last trading day prior to the announcement *(HK$)*	The issue of convertible bond/note: Principal amount *(HK$ million)*	Term to maturity *(years)*	Coupon/ interest rate *(% per annum)*	Conversion price *(HK$)*	Anti-dilution adjustment provisions	Approximate premium/ (discount) of the conversion price to the closing share price on the last trading day *(%)*
8	1 Dec 2011	ZMAY Holdings Limited (8085)	0.300	80.0	3	0%	0.300	Yes	0.00%
9	8 Dec 2011	Computech Holdings Limited (8081)	0.090	50.0	3	0%	0.050	Yes	(44.44)%
10	13 Dec 2011	Long Success International (Holdings) Limited (8017)	0.075	300.0	2	0%	0.080	Yes	6.67%
11	20 Jan 2012	China Public Healthcare (Holding) Limited (8116)	0.058	520.0	5	0%	0.049	Yes	(15.52)%
12	14 Feb 2012	China E-Learning Group Limited (8055)	0.171	13.0	3	1%	0.500	No *(note 5)*	192.00%
13	26 Feb 2012	Larry Jewelry International Company Limited (8351)	0.730	72.0	2	3%	0.800	Yes	9.59%
14	13 Mar 2012	China Eco-Farming Limited (8166)	0.083	20.0	approximately 3.75 *(note 3)*	0%	0.100	Yes	20.48%
15	14 Mar 2012	Mobile Telecom Network (Holdings) Limited (8266)	0.250	23.4	3	0%	0.250	Yes	0.00%
16	3 Apr 2012	Long Success International (Holdings) Limited (8017)	0.193	100.0	3	13%	0.300	Yes	55.44%
17	19 Apr 2012	Tai Shing International (Holdings) Limited (8103)	0.244	15.0	1.25 *(note 4)*	0%	0.250	Yes	2.5%
		Maximum		**1,490.7**	**5.0**	**18.0%**			**192.0%**
		Minimum		**2.0**	**1.0**	**0.0%**			**(59.6)%**
		Average		**199.9**	**2.7**	**2.8%**			**12.8%**
		Median		**50.0**	**3.0**	**0.0%**			**4.1%**
	28 Jun 2012	**The Company**	**0.066**	**80.0**	**3**	**2%**	**0.080**	**Yes**	**21.21%**

Source: the Stock Exchange

Notes:

1. The term to maturity as disclosed in the announcement of TLT Lottotainment Group Limited was 6 months but extendable at its discretion to 12 months by prior written notice to the bondholder.

2. The maturity date as disclosed in the announcement of Netel Technology (Holdings) Limited was the date falling on the 14 days after the second anniversary of the issue date.

3. The maturity date as disclosed in the announcement of China Eco-Farming Limited was 31 December 2015.

4. The term to maturity as disclosed in the announcement of Tai Shing International (Holdings) Limited was 15 months.

5. According to the relevant announcement and circular, the conversion price is subject to adjustments but the details of the adjustments were not disclosed.

Conversion Price

The conversion price of the CB Comparables ranged from a discount of approximately 59.6% to a premium of approximately 192.0% to/over the closing prices of their respective shares on the last trading days prior to the date of the relevant agreements or the release of the relevant announcements in relation to the issue of the respective convertible bonds/notes, with an average of an approximately 12.8% premium and a median of an approximately 4.1% premium.

We noted that the range of premium or discount represented by the conversion prices of the CB Comparables is wide. Such wide range is possibly due to a complexity of factors and market conditions faced by each of the CB Comparables, including their business prospects, the volatility of the price of their shares, the term to maturity of the convertible securities, etc. In addition, the purpose of the issuance of the CB Comparables are different, which might also contribute to the different extent of premium/discount of the conversion prices of the CB Comparables over/to the closing price of shares on their respective last trading day. Therefore, we consider that the CB Comparables provide a general reference to the Independent Shareholders but should not be used in isolation in determining the reasonableness of the terms of the Convertible Bonds.

In addition, as mentioned above, the CB Comparables may be substantially different from the Company in terms of business, operation and prospects. Nonetheless, having considered that (i) the purpose of the CB Comparables is to provide reference on the recent market practice in determining the terms of the issue of convertible bonds/notes; (ii) the conversion price per share of convertible securities are generally determined with reference to a discount or premium to the recent market price of the relevant shares; (iii) the magnitude of the discount or premium does not appear to exhibit a correlation with the industry sector to which the issuer belongs based on the CB Comparables; and (iv) we are not aware of any industry norm of the magnitude of discount or premium in relation to the issue of convertible bonds/notes for a particular industry sector, we are of the view that the results of the comparison of the Conversion Price to those of the CB Comparables, together with the results of the review of historical Share price during the Share Price Review Period, provide a reasonable basis for us to form our view regarding the fairness and reasonableness of the Conversion Price of the Convertible Bond.

Having considered that (i) the Conversion Price of the Convertible Bond, which represents a premium of approximately 21.21% over the closing Share price on the Last Trading Day, is within the abovementioned range of the CB Comparables and is higher than the average and the median of the CB Comparables; (ii) all else being equal, a higher conversion price will lead to a lower potential dilution effect on the shareholding interests of the existing Independent Shareholders; and (iii) the closing prices of the Shares were, as mentioned above, lower than the Conversion Price for most of the time during the Share Price Review Period, we consider that the Conversion Price is fair and reasonable as far as the Independent Shareholders are concerned.

Coupon/interest rate

The interest rate of the CB Comparables ranged from 0% to 18% per annum with an average of 2.8% per annum. Therefore, the interest rate of the Convertible Bond of 2% per annum is within the range of the CB Comparables and is lower than the average of the CB Comparables.

We also noted that First Glory, the controlling Shareholder of the Company, holds convertible bonds issued by the Company in the aggregate principal amount of HK$39 million (the "**Existing Convertible Bonds**"), and that the Existing Convertible Bonds bear interest at the rate of 3% per annum. Therefore, the interest rate of the Convertible Bond of 2% per annum is lower than that of the Existing Convertible Bonds.

We further noted that the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited was 5% per annum as at 25 June 2012, being the date of the Sale and Purchase Agreement, and that the interest rate of the Convertible Bond of 2% per annum is lower than such best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited.

Having taken into account the above factors, we consider that the interest rate of the Convertible Bond of 2% per annum is fair and reasonable so far as the Independent Shareholders are concerned.

Term to maturity

The term to maturity of the CB Comparables ranged from 1 year to 5 years and the term of the Convertible Bond of 3 years is within the range of the CB Comparables.

Anti-dilution adjustment provision

We noted that the Convertible Bond contains an anti-dilution adjustment provision which requires that the Conversion Price shall from time to time be adjusted upon the occurrence of certain events including but not limited to the followings:

(i) consolidation, sub-division or reclassification of the Shares;

(ii) capitalization of profits or reserves;

(iii) capital distribution of Shares; and

(iv) the Company's issue for cash any Shares or other securities which are convertible into new Shares, and the consideration per Share initially receivable for such securities is less than 92% of the market price as at the date of the announcement of the terms of issue of such securities.

We understand that the Directors consider that the anti-dilution adjustment provisions contained in the Convertible Bond are all customary in nature.

In this connection, we reviewed the principal terms contained in the convertible bonds/ notes of the CB Comparables and noted that anti-dilution adjustment provisions of similar nature were contained in 16 out of the 17 CB Comparables (while the remaining one also contained a clause stating that the conversion price was subject to adjustment but details were not disclosed). We further noted that such anti-dilution adjustment provisions contained in the CB Comparables typically require that the conversion price shall be subject to adjustments upon the occurrence of share consolidation or subdivision, capitalization issues, capital distribution, rights issues and issue of new shares or convertible securities at a price that represents a discount of a certain percentage to the then market price of the relevant shares. As such, we concur with the view of the Directors that the anti-dilution adjustment provisions contained in the Convertible Bond are all customary in nature.

Our view

Having considered the various factors set out above and in particular, (i) the Conversion Price is fair and reasonable after comparing with the conversion prices of the CB Comparables and the Share prices during the Share Price Review Period as abovementioned; (ii) the interest rate of the Convertible Bond is within the range of the CB Comparables and is lower than that of the Existing Convertible Bonds and the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited; (iii) the term to maturity of the Convertible Bond is within the range of the CB Comparables; and (iv) in the event that the holders of the Convertible Bond exercise the conversion rights, it would not only enable the Group to reduce the cash outlay required for the Acquisition but would also increase the Company's equity base, we consider that the terms of the Sale and Purchase Agreement and the Subscription Agreement are fair and reasonable and are in the interest of the Company and Shareholders as a whole.

4. The Potential Dilution Effect on the Shareholding of the Existing Shareholders

The table below demonstrates the potential dilution effect on the shareholding of the existing Shareholders:

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding immediately after the full conversion of the Convertible Bond at the Conversion Price (for illustrative purpose only)		Shareholding immediately after the conversion of the Convertible Bond at the Conversion Price to the maximum extent that the Company will continue to meet the public float requirement	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
First Glory *(note 1)* and the Convertible Bondholder *(note 2)*	1,073,810,083	65.36	2,073,810,083	78.47	1,695,019,751	74.86
Mr. Lee Shun Hon, Felix *(note 3)*	3,100,000	0.19	3,100,000	0.12	3,100,000	0.14
Public Shareholders	566,039,917	34.45	566,039,917	21.41	566,039,917	25.00
Total	1,642,950,000	100.00	2,642,950,000	100.00	2,264,159,668	100.00

Notes:

1. First Glory directly holds 1,073,810,083 Shares of the Company (representing approximately 65.36% of the existing total issued share capital in the Company). First Glory also holds Existing Convertible Bonds issued by the Company in aggregate principal amount of HK$39 million pursuant to which a total of 650,000,000 Shares of the Company will be issued upon full conversion at the adjusted conversion price of HK$0.060 per Share. Mr. Tang, an executive Director, is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the SFO, in the said 1,073,810,083 Shares and the Existing Convertible Bonds which First Glory is interested in.

2. Mr. Tang is the ultimate beneficial owner of the Vendor and First Glory. As such, the ultimate beneficial owner of First Glory shall be the same as the ultimate beneficial owner of the Convertible Bondholder. Upon full conversion of the Convertible Bond, a total number of 1,000,000,000 Conversion Shares will be issued upon conversion. However, this is only a hypothetical situation in the current shareholding structure. Pursuant to the terms of the Convertible Bond, any exercise of the conversion rights attached to the Convertible Bond shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirement as stipulated by the GEM Listing Rules at the time of such conversion. In order to maintain the current public float requirement of 25% under the GEM Listing Rules, the Convertible Bondholder can only convert up to 621,209,668 Conversion Shares in the current shareholding structure.

3. Mr. Lee Shun Hon, Felix is an executive Director.

Our view

We noted that upon conversion of the Convertible Bond to the maximum extent that the Company will continue to meet the current public float requirement of 25% under the GEM Listing Rules, a maximum number of 621,209,668 Conversion Shares will be issued, which represent:

(i) approximately 37.81% of the number of Shares in issue as at the Latest Practicable Date; and

(ii) approximately 27.44% of the number of Shares in issue as enlarged by the issue of the Conversion Shares.

As illustrated in the table above, upon conversion of the Convertible Bond to the maximum extent that the Company will continue to meet the current public float requirement, the shareholding interests of the existing public Shareholders will be diluted from approximately 34.45% to 25% of the enlarged issued share capital of the Company.

We also noted that, for illustrative purpose only, upon full conversion of the Convertible Bond, a total number of 1,000,000,000 Conversion Shares will be issued, which represent:

(i) approximately 60.87% of the number of Shares in issue as at the Latest Practicable Date; and

(ii) approximately 37.84% of the number of Shares in issue as enlarged by the issue of the Conversion Shares.

As illustrated in the table above, upon full conversion of the Convertible Bond, the shareholding interests of the existing public Shareholders will be diluted from approximately 34.45% to approximately 21.41% of the enlarged issued share capital of the Company.

Taking into account (i) the reasons for and the potential benefits of the Acquisition and (ii) the terms of the Sale and Purchase Agreement and the Subscription Agreement being fair and reasonable having regard to the various factors mentioned above, we consider that the aforementioned potential dilution effect is acceptable to the Independent Shareholders.

5. The Possible Financial Effects of the Acquisition on the Group

Upon completion of the Acquisition, the companies within the Target Group will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's financial results.

Earnings

The Target Group recorded a consolidated net profit after tax of approximately HK$7,127,000 for the year ended 31 December 2011 (2010: approximately HK$6,374,000). Based on the unaudited pro forma consolidated statements of comprehensive income of the Enlarged Group as set out in Appendix III to the Circular and assuming completion of the Acquisition had taken place on 31 March 2012, (i) the total revenue would have increased to approximately HK$192,717,000 for the year ended 31 March 2012; and (ii) the net loss attributable to Shareholders would have been reduced to approximately HK$13,700,000 for the year ended 31 March 2012, which is mainly attributable to the positive net profits contributed by the Target Group.

Having considered that (i) the Target Group has existing establishments including but not limited to the brand name of "Italian Tomato" and other related brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong; (ii) there is future development potential of the business of the Target Group as IT PRC and IT TW will develop the Franchise within the area of Guangdong Province, the PRC, and Taiwan respectively pursuant to the franchise agreements they have respectively entered into with the Franchisor in June 2012; and (iii) IT HK generated profits and positive cash flows in the past few years, we concur with the view of the Directors that consolidating the financial results of the Target Group into the Group would have a positive effect on the Enlarged Group's earnings in the coming future.

Assets, liabilities and net asset value

As at 31 March 2012, the audited consolidated total assets and liabilities of the Group amounted to approximately HK$112,977,000 and approximately HK$72,782,000 respectively.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular and assuming the Acquisition had taken place on 31 March 2012, the consolidated assets and liabilities of the Enlarged Group would have increased to approximately HK$216,438,000 and approximately HK$170,748,000 respectively, while the net asset value of the Enlarged Group attributable to equity holders of the Company would have increased to approximately HK$44,532,000.

Working capital

As disclosed in the AR2012, the Group has cash and cash equivalents of approximately HK$29,628,000 as at 31 March 2012. As the Consideration is to be fully settled by the issue of the Convertible Bond, the Acquisition requires no immediate cash outlay for the Group except for the expenses of approximately HK$1,200,000 directly related to the Acquisition. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular and assuming the Acquisition had taken place on 31 March 2012, the cash and bank balances of the Enlarged Group would have increased to approximately HK$37,270,000 as at 31 March 2012.

Gearing

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular and assuming the Acquisition had taken place on 31 March 2012, the gearing ratio of the Enlarged Group as at 31 March 2012, calculated as total interest-bearing borrowings divided by total assets, would have increased from approximately 33.91% to approximately 56.37%, which is mainly attributable to the issue of the Convertible Bond.

Our view

Shareholders should note that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

Notwithstanding the abovementioned increase of the gearing ratio to approximately 56.37% due to the issue of the Convertible Bond, having considered that (i) the settlement of the Consideration by way of the issue of the Convertible Bond results in no immediate cash outlay and no immediate adverse effect on the current working capital position of the Group; (ii) there are potential positive effects on the future revenue and earnings of the Group having regard to the historical financial performance, future development potential and the existing establishments of the Target Group; and (iii) in the event that the holders of the Convertible Bond exercise the conversion rights, it would not only enable the Group to reduce the cash outlay required for the Acquisition but would also increase the Company's equity base, we consider that the potential financial effects of the Acquisition on the Group is in general acceptable and that the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

6. Specific Mandate

As set out in the Letter from the Board, pursuant to the Sale and Purchase Agreement and the Subscription Agreement, the Purchaser will procure the Company to issue the Convertible Bond to the Vendor for the full settlement of the Consideration upon Completion. The Conversion Shares to be issued following the exercise of the conversion rights attached to the Convertible Bond shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof.

The Company will seek the grant of Specific Mandate from the Shareholders at the EGM to satisfy the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bond.

As abovementioned, we noted that the pricing of Conversion Shares to be issued under the Specific Mandate is fair and reasonable.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons, in particular,

in relation to the Sale and Purchase Agreement and the Acquisition:

(i) the proposed Acquisition is in line with the corporate strategy of the Group of seeking further opportunities for the growth of its F&B business and exploring different varieties of brands that will help to complement the Group's existing portfolio and enhance the Group's competitiveness;

(ii) there is future development potential of the business of the Target Group as IT PRC and IT TW will develop the Franchise within the area of Guangdong Province, the PRC, and Taiwan respectively pursuant to the franchise agreements they have respectively entered into with the Franchisor in June 2012;

(iii) the Target Group has existing establishments including but not limited to the brand name of "Italian Tomato" and other related brand names and the network of the currently operating restaurants, café and cake shops in Hong Kong;

(iv) IT HK generated profits and positive cash flows in the past few years;

(v) the PER and the Adjusted PBR represented by the Consideration is within the range of the Industry Comparables;

(vi) the Consideration is to be fully settled by the Purchaser procuring the Company to issue the Convertible Bond in the aggregate principal amount of HK$80,000,000 upon Completion and thereby requires no immediate cash outlay by the Group; and

(vii) the potential financial effects of the Acquisition on the Group is positive in general;

in relation to the Subscription Agreement and the Specific Mandate:

(i) the Conversion Price is fair and reasonable after comparing with the conversion prices of the CB Comparables and the Share prices during the Share Price Review Period as abovementioned;

(ii) the interest rate and the term to maturity of the Convertible Bond is within the rage of those of the CB Comparables;

(iii) in the event that the holders of the Convertible Bond exercise the conversion rights, it would not only enable the Group to reduce the cash outlay required for the Acquisition but would also increase the Company's equity base; and

(iv) the potential dilution effect is acceptable to the Independent Shareholders;

we consider that the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the proposed grant of the Specific Mandate, the issue of the Convertible Bond, and the issue of the Conversion Shares by the Company upon the exercise of the conversion rights attached to the Convertible Bond) are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement, the Subscription Agreement, the Assignment of Loan and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Robert Siu
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2010, 2011 and 2012 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk/) and the website of the Company (http://www.eacl.com/):

- annual report of the Company for the year ended 31 March 2010 published on 28 June 2010 (pages 32 –96);
- annual report of the Company for the year ended 31 March 2011 published on 24 June 2011 (pages 32 – 102); and
- annual report of the Company for the year ended 31 March 2012 published on 15 June 2012 (pages 33 – 110).

2. INDEBTEDNESS STATEMENT

The Group

Borrowings

At the close of business on 30 June 2012, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had total outstanding borrowings approximately HK$41,845,000, comprised of (i) the secured bank loan of approximately HK$267,000 which is interest-bearing at 9.33% per annum, repayable within one year and secured by personal guarantee provided by a non-controlling shareholder of a subsidiary of the Company; (ii) convertible bonds with the aggregate principal amount of HK$39,000,000 which is interest-bearing at 3% per annum and repayable within one year; and (iii) amount due to a related company of approximately HK$2,578,000, which is unsecured, interest-free and approximately HK$1,289,000 is repayable within one year and the remaining balance is repayable in second to fifth year.

Contingent liabilities

The Directors consider there were no material contingent liabilities for the Group as at 30 June 2012.

The Target Group

Borrowings

At the close of business on 30 June 2012, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Target Group had total outstanding borrowings approximately HK$19,438,000, comprised of (i) the secured bank loan of approximately HK$9,419,000 which is interest-bearing at floating interest rate at HIBOR plus 2.5% per annum, secured by personal guarantee provided by a director of the subsidiary of the Target Group and repayable within one to fifth year; and (ii) shareholder's loan of approximately HK$10,019,000, which is unsecured, interest-free and has no fixed repayment term.

Contingent liabilities

The Directors consider there were no material contingent liabilities for the Target Group as at 30 June 2012.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 30 June 2012.

The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 30 June 2012.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the bank borrowing, the Enlarged Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular, in the absence of any unforeseeable circumstances.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 March 2010, 2011 and 2012:

For the year ended 31 March 2010

Business Review

The financial year 2009/10 would be remembered as one of the most turbulent years in the history of the global financial services sector. It was a year characterised by financial corporate failures and unprecedented government bailouts. The international liquidity and credit tightening led to economic slowdown, and business activities only began to pick up steam in the last quarter of the financial year 2009/10. The Group's Outsourcing and Information Solutions Business Unit was the hardest hit, business environment in the logistic and transportation industry remained skeptical all the way up to the last fiscal quarter. For the year ended 31 March 2010, the Group recorded a total turnover of HK$52.5 million (2009: HK$ 63.1 million), of which HK$52.4 million (2009: HK$61.8 million) was from continuing operations and HK$107,000 (2009: HK$1.3 million) was from discontinued operations. For the continuing operations, exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), turnover decreased by 18% compared with previous year.

Hong Kong Operations

Outsourcing and Information Solutions

During the year under review, total turnover generated from the Outsourcing and Information Solutions Business Unit was HK$22.5 million, representing a decrease of 29% when compared with HK$31.8 million recorded for the previous year.

The after-effects of the economic downturn had affected the logistic and transportation industry severely during the first two quarters of the financial year 2009/10. Insourcing contracts with the world largest private-owned container terminal operator and a global leading airline operator in Hong Kong continue but the revenue had dropped significantly by approximately 25%. However, our reputation in the industry had earned us a long-term contract with the Hong Kong's largest air cargo terminal operator in the fourth fiscal quarter of the financial year 2009/10. We had started the contract in March 2010, providing off-shore services to developing a critical cargo handling operations system. This was an important milestone for the Group in securing yet another long term contract that would be a steady source of income to the Group's revenue.

Following the successful installation of Integrated Customer Enquiry System (ICES) Phase II for a reputable telecom company in Hong Kong in the first fiscal quarter of the financial year 2009/10, the Group had subsequently concluded three new projects with the same client – the Learning Management System (LMS) and the Administration Jobs Request Handling System (AJRHS) by our Shenzhen offshore development team, and the code review project for Human Resources Management System (HRMS) by our Hong Kong team during the year under review.

During the first half of the financial year 2009/10, our Shenzhen subsidiary had successfully completed the Gasoline Management System ("GMS") Phase II Stage I & II for a private container terminal operator in Yantian. Meanwhile, our subsidiary had also completed two projects, the Roster 4.0 and Miscellaneous Charges System Phase 2 (MCS2) for the same client.

All other insourcing contracts were still ongoing and would continue to provide a steady income to this business unit. The Group would continue to exert efforts to consolidate and expand business opportunities with these clients.

Application Software Packages Solutions

Turnover generated from the Group's proprietary ERP application software package Armitage Industrial Management System ("**AIMS**"), together with its previous version Konto 21, decreased to HK$5.4 million, a 18% decrease when compared with HK$6.6 million of the previous year. Although a total of seven new contracts were concluded during the year under review, as well as a number of system enhancements and additional services contracts requested by existing AIMS/Konto clients, business significantly deteriorated towards the last fiscal quarter of the financial year 2009/10, explaining the decrease in revenue generated from this business unit.

Because of the extreme competitiveness in the ERP market, our research and development team had been working on developing similar but more cost-efficient systems. The sister version of AIMS Express, the Konto Express, was launched in the first fiscal quarter of the financial year 2009/10 as planned. The Group believed that this simpler budget version of Konto would be able to attract new client in a different sector and bring in new businesses for the Group.

PRC Operations

The total turnover for the Group's PRC operations under Guangzhou Armitage Technologies Limited amounted to HK$20.0 million (exclusive of hardware sales of HK$2.6 million), representing an increase of 10% compared with the previous year.

Due to the global economic downturn, business in the first two fiscal quarters of the financial year 2009/10 had been very difficult. Hotel development projects were postponed or cancelled and the license sale of Pegasus PMS (Property Management System) was affected. However, significant improvement was recorded towards the end of 2009 because of the prosperity in the property market and forthcoming major events such as the Asian Games 2010 in Guangzhou and the World Expo 2010 in Shanghai. A few notable cases included an agreement with a renowned budget chain hotel to develop their Central Reservation System and to implement Pegasus PMS for over a hundred hotels under their management. The subsidiary had also successfully entered into contract with a reputable hotel group in Beijing in the second fiscal quarter of the financial year 2009/10.

During the year under review, the Group had also successfully implemented the Asia Pacific Central Reservation System for a Singaporean chain hotel, as well as completed the implementation of Pegasus PMS for three of their hotels located in Bangkok, Thailand. It was an important step in signifying the Group's entry into the South East Asia hospitality market.

The Group would continue to exert effort on working towards the Group's long-term strategy on establishing relationships with chain hotel operators.

Meanwhile, the Group had organised several workshops and meetings with various customers from the central and northern region to strengthen business relationships. Feedbacks were positive, and we received a lot of valuable comments and suggestions from our clients.

Future Prospects

Hong Kong Operations

Outsourcing and Information Solutions

As our client, the largest airline operator in Hong Kong was in the process of restructuring it's information management department, projects with this client would be suspended upon completion of our current contract. Upon request from the largest private container terminal operators in Hong Kong and Shenzhen, the insourcing master contract for the coming year was renewed. However, due to negative business sentiment and unforeseeable economic uncertainties, client had to introduce cost justification and operation efficiency practices, hence, total contract value for this client had decreased accordingly. Willingness to listen to clients' needs is one of the Group's company values, and we are always more than willing to work closely with our valuable customers to meet their short-term challenges and long-term goal.

However, the business relationship with the Hong Kong's largest air cargo terminal operator (probably the world's largest in term of cargo tonnage volume), secured in the fourth fiscal quarter of the year under review, had opened a new dimension for the Group to acquire air cargo handling business knowledge. We are confident that revenue from this client would be steady and would be on a long-run basis.

With the consolidation of businesses in the eastern container terminal port of Shenzhen, the Group was expecting to expand our business scope to the western container terminal ports of Shenzhen. Being a leader of providing information technology ("I.T.") services in the container terminal port industry, our Shenzhen subsidiary would restructure the sales team in the coming fiscal year focusing on selling our unique services and products such as GMS and Roster system to respective clients in the transportation and logistic industries.

Application Software Packages Solutions

The Group had been developing a new cost-efficient ERP system known as Tactics, a combination of the previous AIMS Express and Konto Express, in the last fiscal quarter of the year under review. It was expected to be launched in the fiscal year, and we would aggressively promote and market the product accordingly. A new sales team designated to sell this system would be established soon. At the same time, we would continue our ongoing business strategies for our existing products such as AIMS and Konto.

Food and Beverage

During the third fiscal quarter of the financial year 2009/10, the Group and First Glory entered into a subscription agreement whereby First Glory agreed to subscribe for a convertible bond at a principal amount of HK$52 million. Out of the gross proceeds of HK$52 million, approximately HK$16 million was utilised for the subscription of a convertible bond ("PJ Convertible Bond") from PJ Partners Pte Limited ("PJ Partners"), a food and beverage management company, and the balance amount of approximately HK$36 million would be utilised to finance the operation and development of the Group's I.T. businesses and for the general working capital of the Group. The transactions were completed on 10 February 2010. The transactions offered business opportunities to the Group to tap into the food and beverage business and resources to further develop the I.T. business.

After the end of the fiscal year, the Group had entered into agreements to acquire a Japanese restaurant franchise in Hong Kong. It was the first attempt of the Group to invest in restaurant business. The management was confident that the investment would bring a promising impact to the Group in the coming years. The management believed that this diversification would not only increase the sources of income but also would enhance the future development of the Group.

PRC Operations

In view of the potential of the hospitality industry in the PRC and its robust economy, the Group had been planning to develop a B2B platform which connected hotels and hotel distribution channels and corporate customers. This platform would enable real-time hotel room booking for instant room-booking confirmation through the internet. As this would greatly reduce manpower requirement from both ends and thus promotes economic efficiency, we believed that there existed good business opportunities once this platform was developed. In the last fiscal quarter, the Group launched www.fangcoo.com（房庫）to act as a preliminary trial platform for our users. As this platform benefited Pegasus PMS users by connecting hotels to direct customers, this could, in the long run, assist us to accumulate hotel customers' database. We would continue to explore the most appropriate business model that could give us maximal result.

With the continuous improvement in the living standards in the PRC, the food and beverage industry was thriving at a fast-growing pace. It was estimated that there were over two million restaurants in first tier cities in the PRC. In order to cope with the markets' needs and requirements, the Group had decided to streamline the operation procedure of our existing Pegasus Food and Beverage System by increasing its user-friendliness and enhancing the backend functions to fit the market needs. With PRC's huge population, the increasing popularity of dining out, plus the fact that there was a lack of a major local I.T. player in the industry, we had good reasons supporting us to explore in this dynamic and fast-pace business sector.

Financial Review

Consolidated results of operations

For the year ended 31 March 2010, the Group recorded a total turnover of HK$52.5 million (2009: HK$63.1 million), of which HK$52.4 million (2009: HK$61.8 million) was from continuing operations and HK$107,000 (2009: HK$1.3 million) was from discontinued operations. For the continuing operations, exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), turnover decreased by 18% compared with the previous year.

Turnover generated from Hong Kong continuing operations was HK$29.8 million (2009: HK$40.7 million), representing a decrease of 27% compared with previous year. Revenue generated from information solutions decreased by 29% to HK$22.5 million (2009: HK$31.8 million). Sales of the Group's proprietary application software packages AIMS, together with its previous version Konto 21, recorded a turnover of HK$5.4 million, a decrease of 18% compared with HK$6.6 million recorded last year.

Turnover generated from PRC continuing operations was HK$22.6 million (2009: HK$21.1 million). Exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), increased by 10% compared with last year.

Losses for the year from continuing and discontinued operations were HK$13.5 million and HK$1.4 million respectively (2009: HK$753,000 and HK$2.5 million respectively). Net loss attributable to the equity holders of the Company was HK$14.8 million (2009: HK$3.2 million) which included approximately HK$3.3 million expenses in relation to the completion of general offer and approximately HK$3.3 million impairment loss on the development costs.

Gross profit

The gross profit margin from the continuing operations of the Group was 55% (2009: 56%), a slight decrease compared with last year.

Expenses

Total operating expenses increased by 21% to HK$41.5 million (2009: HK$34.3 million). After taking out the impairment loss on development costs of approximately HK$3.3 million (2009: HK$157,000) and the expenses in relation to the completion of general offer approximately amounted to HK$3.3 million, the operating expenses were adjusted to HK$34.9 million (2009: HK$34.1 million), representing an increase of 2%.

Financial resources and liquidity

The Group generally relied on internally generated funds and facilities granted by its principal banker to finance its operation. In addition, the Company issued convertible bonds in the principal amount of HK$52 million on 12 February 2010 to First Glory. Out of the gross proceeds of HK$52 million, approximately HK$16 million had been invested in other financial assets and the balance amount of approximately HK$36 million would be utilised to finance the operation and development of the Group's existing I.T. businesses and for the general working capital of the Group.

As at 31 March 2010, current assets amounted to HK$45.5 million (2009: HK$30.4 million) of which HK$32.1 million (2009: HK$12.9 million) was cash and bank deposits and HK$12.5 million (2009: HK$17.1 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$15.1 million (2009: HK$22.9 million), including bank loans, overdraft and obligation under finance lease in the amount of HK$4.1 million (2009: HK$14.2 million) and creditors, accruals and deposits received in the amount of HK$10.7 million (2009: HK$8.7 million).

Current ratio as at 31 March 2010 was 3.01 (2009: 1.33). Debt-to-equity ratio, expressed as a ratio of total debts less pledged time deposits, pledged bank balance, time deposits and cash and bank balances to shareholders' funds, was 2.15 (2009: 0.47).

Foreign exchange

The Group received renminbi income from sales in the PRC. Fluctuations in exchange rates of renminbi currencies against foreign currencies could affect the Group's results of operations. During the year under review, no hedging transaction or other exchange rate arrangements were made.

Charges on the Group's assets

As at 31 March 2010, a bank balance of HK$55,000 and accounts receivable of HK$896,000 had been pledged to a bank to secure general banking facilities granted to the Group. As at 31 March 2009, there were time deposits of HK$9.0 million, bank balance of HK$80,000 and accounts receivable of HK$1.8 million had been pledged to banks to secure general banking facilities granted to the Group.

Capital commitments

For two years ended 2009 and 2010, the Group had no material capital commitments.

Contingent liabilities

As at 31 March 2010, the Group had contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.6 million (2009: HK$1.5 million).

Other financial assets

On 10 February 2010, Marvel Success subscribed at face value, a two-year 5% convertible bond in the principal amount of US$2,000,000 issued by PJ Partners, a company which was incorporated in Singapore with limited liability and engaged in food and beverage management business. According to the terms of the subscription agreement, the conversion price would be lower of the net asset value per share or 2.5 times P/E of PJ Partners at the time of conversion. Although the conversion price might vary along with the net asset value per share or P/E, Marvel Success would be allowed to use US$2,000,000 to convert to common shares of PJ Partners up to 75% or minimum 25%.

At initial recognition, the loan receivable component of convertible bond was recognised at fair value of HK$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable would be carried at amortised cost in subsequent measurement.

For derivative component of convertible bond, the fair value at initial recognition was HK$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition. In the opinion of the Directors, since this derivative financial assets were linked to the shares of PJ Partners, which did not have a quoted market price in an active market and whose fair value could not be reliable measured, and must be settled by delivery of the shares of PJ Partners, it was carried at cost less impairment in subsequent measurement.

Save as disclose above, during two years ended 31 March 2009 and 2010, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and remuneration policies

As at 31 March 2010, the Group had 282 employees in Hong Kong and the PRC (2009: 309). Remuneration was determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, were paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies and pension fund plans were offered to most employees. Share options were granted at the discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

For the year ended 31 March 2011

Business Review

The Group's total turnover for both continuing and discontinued operations for the year ended 31 March 2011 amounted to HK$88.3 million (2010: HK$52.5 million), representing an increase of 68% compared with last year. Net loss attributable to equity holders of the Company was increased to HK$27.6 million from HK$14.8 million.

Food and Beverage Business

After the completion of the acquisition of a group of companies which were operating a Japanese restaurant franchise at the end of the first fiscal quarter, our food and beverage business had been growing at a promising pace with a turnover of HK$32.2 million during the year under review. The Group had currently 5 outlets under operation (including one in Shanghai) for the Japanese restaurant franchise up to the date of the Company's annual report for the year ended 31 March 2011 and all of their performances were satisfactory.

The Group had also opened an outlet of Japanese ramen and izakaya in Hong Kong under the short term lease during the third fiscal quarter of financial year 2010/11 to test the market receptivity of this new business initiative. Since the opening of this temporary outlet, the feedback from the market was encouraging, and the Group would study in more detail the viability, potentiality and the possibility in establishing a new permanent chain of this business initiative.

As the financial result of our food and beverage operation had contributed a satisfactory result to the Group, the Board was optimistic that our food and beverage business would continue to enhance the future prospect for the Group's sustainable development.

Information Technology Business

Hospitality Software Solutions and Online Distribution Services

For the year ended 31 March 2011, turnover from hospitality software solutions and online distribution services amounted to HK$29.2 million, representing an increase of 29% compared with last year.

In the first half of the financial year 2010/11, strong interest in fixed asset investment had led to the continuous growth in the hospitality industry in the PRC. The number of contracts concluded for hotel management systems ("Pegasus") had reached a record high during the year under review. However, due to the Chinese government's tightening of its credit control over property investment and rising interest rates since the beginning of the third fiscal quarter of the financial year 2010/11, the investment sentiment had been slowing down. After the events of World Expo in Shanghai and Asia Games in Guangzhou, the Chinese government as well as the commercial sectors had significantly scaled down their investments in the hospitality industry in the last couples of months. As a result, the sales volume of Pegasus had dropped considerably since the fourth fiscal quarter of the financial year 2010/11.

In order to strengthen our distribution channels, we had set up the Channel Division and assigned a specialist to deal with channel management since the first fiscal quarter of the financial year 2010/11. We had also established business relationships with a number of new business partners, especially in the northern and remote regions in China such as Xinjiang. Nevertheless, only a few contracts had been concluded sourcing from these connections during the year under review.

For our online booking services, we had around twenty hotel customers who had joined our online booking website www.fangcoo.com（房庫）.

Outsourcing and Information Solutions and Applications Software Packages Solutions

The total turnover generated from the outsourcing and information solutions and application software package solution for the year ended 31 March 2011 was HK$26.9 million, representing a decrease of 10% when compared with HK$29.8 million recorded in last year.

During the year under review, the services being provided via insourcing contracts with the Hong Kong largest airline operator and the largest private container terminal operator in Hong Kong and Shenzhen, and via offshore development team built in our Shenzhen subsidiary for the Hong Kong's largest air cargo terminal operator, had been continuing and revenue generated from those accounts was steady.

The two contracts concluded in the fourth fiscal quarter of the financial year 2010/11 with the largest credit union in supporting the operations of a quasi-government organisation and a large supplier of heavy building materials in Hong Kong had proceeded in accordance with the agreed schedules.

Turnover generated from the Group's proprietary ERP application software package, AIMS, together with its previous version Konto 21, decreased to HK$4.4 million, representing a 19% decrease when compared with HK$5.4 million of last year. The performance of application software packages for the last few quarters was below our expectation owing to the shrinking and highly competitive ERP market in the Pearl River Delta Region. In the fourth fiscal quarter of the financial year 2010/11, we only concluded one new contract with an existing manufacturing customer to provide service for the AIMS application enhancements.

Future Prospects

Food and Beverage Business

The success of the 4 newly opened outlets after the acquisition of the business in the first fiscal quarter of the financial year 2010/11 had confirmed that the Group's direction on the Japanese restaurant franchise business initiative was the right decision. We targeted to double the number of outlets of this Japanese restaurant franchise by the end of the next fiscal year based on the market condition and finding the suitable location. The management was happy to report that, the first outlet in the PRC which was opened in Shanghai in April 2011, and was performing over our expectation. It had ascertained our management's effort in tapping into the PRC market. The Group would cautiously increase the resources input to speed up the development in the PRC market for this Japanese restaurant franchise. In addition, the Group was reviewing the market receptivity and was in the process of planning to set up a new restaurant brand in Japanese ramen and izakaya.

With the growth in operation and the expansion of the management team, the Group believed that it would lower the overall marginal operating costs and would in long term enhance the brand image. With the continuous expansion in mind, the Group had acquired a food catering and servicing company in June 2010 and was in the process of setting up a central kitchen, for supplying food and beverage services to both its own restaurants and external customers.

Meanwhile, the Group was searching for other opportunities in the food and beverage business, both in Hong Kong and the PRC in order to further enhance the Group's income. Currently, the Group was actively seeking potential partners to co-operate in developing new business in Hong Kong and the PRC. And resources had been allocated to research and develop the Group's own new concept as well as new brand name for future expansion. The Group believed that the long term development of the food and beverage business was highly promising and would become the most important core of the Group's business operation.

Information Technology Business

Hospitality Software Solutions and Online Distribution Services

The stringent control measures by the Chinese government to cool down property investment sentiment since the third fiscal quarter of the financial year 2010/11 would have a severe impact on our hospitality application business in the coming years. The hospitality industry had invested heavily on construction and renovation in the past few years, as a result of several international events held in the PRC such as Olympic Games, World Expo and Asian Games. However, looking forward, the Group strongly believed that the momentum had been shifted and the hospitality industry investment would reach an impasse. Moreover, faced with the continuous fierce price competition from our competitors, rising staff costs, pressure from Renminbi appreciation and the new tightening cycle of credit control starting in October last year, the Group anticipated that all these factors would pose a severe challenge to our I.T. business in servicing the hospitality industry in the next couple of years.

Our attempt to enter the hotel distribution business (B2C) by leveraging on the relationship with our existing hotel customers faced obstacles we did not expect previously. Although a lot of efforts were exerted to recruit hotel customers joining our service, we had so far only managed to conclude contracts with around twenty existing hotel customers to join our www.fangcoo.com（房庫）platform and used our online booking service. This was mainly because we needed time to build up our experience and reputation in hotel distribution business. We believed that the growth on the application software sales and services would be limited and the Group's future expansion would very much rely on the success of this business initiative. In order to expedite progress in this business, it was necessary for us to recruit experts in the distribution area and put extra efforts in strengthening our sales and marketing strategies. The Board would work hard to balance the substantial investments that would be required to realise this strategic business plan and the potential return that could be gained from this business initiative.

Outsourcing and Information Solutions and Application Software Packages Solutions

Due to the ever increasing competition in pricing in the information technology servicing industry and the difficult operating environment in Hong Kong, the Group had been making continuous losses in the business of outsourcing and information solutions and application software packages solutions since the financial year ended 31 March 2004. In the third fiscal quarter of the financial year 2010/11, a potential buyer approached the Group and expressed an interest in acquiring part of the Group's I.T. business. After thorough consideration, the Board believed that it was to the best interest of the Group and our shareholders to proceed with the disposal transaction as it provided an opportunity to the Group to streamline the operations of the Group, so that the resources of the Group could be better allocated with a view to optimising the productivity of the Group's operation. In the first quarter of the financial year 2011/12, the Group had disposed of two subsidiaries of the Group's I.T. business which were running outsourcing and information solutions and application software packages solutions in Hong Kong and the PRC.

Financial Review

Consolidated results of operations

For the year ended 31 March 2011, the Group recorded a total turnover of HK$88.3 million (2010: HK$52.5 million), of which HK$88.3 million (2010: HK$52.4 million) was from continuing operations. For the continuing operations, turnover increased by 69% compared with the previous year.

Turnover generated from food and beverage business was HK$32.2 million (2010: Nil). Revenue generated from information technology business increased by 7% to HK$56.1 million (2010: HK$52.4 million).

Net loss attributable to equity holders of the Company was HK$27.6 million (2010: HK$14.8 million).

Gross profit

The gross profit margin from the continuing operations of the Group was 65% (2010: 55%). It was resulted from the new business, food and beverage business, which contributed a high gross profit margin to the Group.

Expenses

Total operating expenses increased by 90% to HK$72.6 million (2010: HK$38.2 million). This increase was attributable to several reasons.

Firstly, the Company started a new line of business division, namely the food and beverage business. For the year under review, the food and beverage business incurred operating expenses amounting to HK$21.0 million (2010: Nil).

Secondly, due to the increase in turnover in hospitality software solutions and online distribution business by 29% compared with last year, the Company recruited more staff to accommodate the customers' needs. During the year under review, the staff costs and commission expenses in relation to the hospitality software solutions and online distribution business was HK$15.8 million, representing an increase of HK$5.7 million or 56% compared with last year.

Finally, during the year under review, the Company had made impairment loss on development costs and goodwill on consolidation in relation to the subsidiary operating the hospitality software solutions and online distribution business amounted to HK$10.7 million (2010: HK$3.3 million) and HK$1.7 million (2010: Nil) respectively.

On 10 February 2010, the Company issued convertible bonds to First Glory. The interest expenses and the imputed interest expenses on convertible bonds was HK$1.2 million and HK$1.2 million respectively (2010: HK$214,000 and HK$210,000 respectively) during the year under review.

Financial resources and liquidity

The Group generally relied on internally generated funds and the net proceeds from the convertible bonds to finance its operation.

As at 31 March 2011, current assets amounted to HK$64.9 million (2010: HK$45.5 million) of which HK$25.5 million (2010: HK$32.1 million) was cash and bank deposits, HK$6.7 million (2010: HK$12.5 million) was debtors, deposits and prepayments and HK$16.1 million (2010: Nil) was assets of a disposal group classified as held for sale. The Group's current liabilities amounted to HK$17.3 million (2010: HK$15.1 million), including creditors, accruals and deposits received in the amount of HK$12.1 million (2010: HK$10.7 million) and liabilities directly associated with assets held for sale in the amount of HK$4.5 million (2010: Nil). In last year, included bank loans, overdraft and obligation under finance lease was in the amount of HK$4.1 million.

Current ratio and quick assets ratio as at 31 March 2011 was 3.74 and 3.73 respectively (2010: 3.01 and 3.01 respectively). Debt-to-equity ratio, expressed as a ratio of total debts less pledged time deposits, pledged bank balance, time deposits and cash and bank balances to shareholders' funds, was 1.02 (2010: 2.15).

Foreign exchange

The Group received renminbi income from sales in the PRC. Fluctuations in exchange rates of renminbi currencies against foreign currencies could affect the Group's results of operations. During the year under review, no hedging transaction or other exchange rate arrangement was made.

Charges on the Group's assets

As at 31 March 2011, except for a motor vehicle held under finance lease with carrying amount of HK$512,000 (2010: HK$171,000), there was no Group's assets which had been pledged or charged. As at 31 March 2010, a bank balance of HK$55,000 and accounts receivable of HK$896,000 had been pledged to a bank to secure general banking facilities granted to the Group.

Capital commitments

For the two years ended 31 March 2010 and 2011, the Group had no material capital commitment.

Contingent liabilities

As at 31 March 2011, the Group had contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.3 million (2010: HK$1.6 million).

Other financial assets

On 10 February 2010, a wholly owned subsidiary of the Company, Marvel Success subscribed at face value, a two-year 5% convertible bond in the principal amount of US$2,000,000 (equivalent to approximately HK$15,500,000) issued by PJ Partners, a company which was incorporated in Singapore with limited liability and was engaged in food and beverage management business, with transaction costs of HK$1,300,000. According to the terms of the subscription agreement, the conversion price would be lower of the net asset value per share or 2.5 times P/E of PJ Partners at the conversion. Although the conversion price might vary in along with the net asset value per share or P/E, Marvel Success would be allowed to use US$2,000,000 to convert to common shares of PJ Partners up to 75% or minimum 25%.

At initial recognition, the loan receivable component of convertible bond was recognised at fair value of HK$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable would be carried at amortised cost in subsequent measurement.

For derivative component of convertible bond, the fair value at initial recognition was HK$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition.

As at 31 March 2011, the management assessed the possibility of conversion to the common shares of PJ Partners by referring to PJ Partners' financial performance and future prospect and concluded that the conversion was not likely to be occurred unless there were any changes in PJ Partners' financial performance and future prospect. Accordingly, the carrying amount of derivate component of convertible bond was revalued to zero as at 31 March 2011.

Save as disclosed above, during two years ended 31 March 2010 and 2011, there was no ongoing financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and remuneration policies

As at 31 March 2011, the Group had 392 employees in Hong Kong and the PRC (2010: 309). Remuneration was determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, were paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies and pension fund plans were offered to most employees. Share options were granted at the discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

For the year ended 31 March 2012

Business Review

The Group's audited total turnover for the year ended 31 March 2012 amounted to HK$138.4 million (2011: HK$88.3 million), of which HK$89.3 million (2011: HK$32.2 million) was from continuing operations and HK$49.1 million (2011: HK$56.1 million) was from discontinued operations. For the continuing operations, turnover increased by 177% compared with the last financial year. Net loss attributable to owners of the Company decreased to HK$16.0 million from HK$27.6 million in the last financial year.

Food and Beverage Business

Leveraging on the fast growing economy in the PRC and the climbing number of mainland visitor arrivals, the overall retail sector was robust. Amid the favourable operating environment, results of the F&B business were encouraging. During the year under review, the F&B business segment posted a total revenue of HK$89.3 million (2011: HK$32.2 million), or a growth of 177% compared with the last financial year.

In light of the growing demand for quality dining experiences in the territory, the Company had introduced various F&B concepts into the Group in order to enhance its exposure in the industry and at the same time diversify the business. As a result, the restaurant portfolio of the Group had been substantially enlarged. New additions to the Group during the year under review included a group of Shanghainese dining restaurants in Hong Kong, Japanese curry specialty brand, self-developed wellness concept café and a catering services and food processing company.

After the acquisition of the Shanghainese restaurant group in November 2011, an outlet was opened in the central business district of Hong Kong to focus on business clientele. Another outlet was opened in early March 2012 in a top tourist attraction of Hong Kong. Shortly after the opening, the new shops had been able to attract customer flows. The management expected that the Shanghainese restaurant group would be able to make a greater contribution to the Group in the near future.

Inspired by the growing awareness of the importance of healthy life style and the increasing popularity of wholesome dining, we had developed a brand name of wellness concept café and the first outlet had been launched in late 2011 to test the market. As the dining concept had been well received by the public, more outlets had been opened near the end of the year under review to capture the market segment. As of the date of the annual report for the year ended 31 March 2012, a total of 4 outlets were in operation.

Apart from the abovementioned newly introduced businesses, we had also entered into a licence agreement and had formed a joint venture company for the licence rights of a curry specialty brand originated from Japan. During the year under review, we had completed the stages of product development, staff training programme and logistic and work flow enhancement scheme to pave way for the launch of this new brand after the end of the financial year.

We observed an increasing trend of out-sourcing food processing procedures by hotels, chain restaurants and the like in recent years to minimise the operating costs and improve efficiency. This provided more opportunities to our Group. During the year under review, we had acquired a food processing and catering services company and had been making good development. We had engaged several long-term customers, including renowned brand names of chain restaurants, chain café, club houses and an airliner for our catering services. Moreover, we had put resources to the research and development of new products to meet the growing demand for our products and services in the territory.

Meanwhile, one of the core segments of our F&B business, the Japanese tonkatsu franchise shops, continued to contribute a major part of income stream to our Group. Due to the growing popularity of the Japanese dining concept, more resources had been allocated to expand the number of outlets in Hong Kong. During the year under review, the total number of the Japanese tonkatsu franchise outlets increased to six, including five in Hong Kong and one in Shanghai. This dining concept had also attracted new entrants and competition. Leveraging on our competitive edge and our seasoned management, we had been able to sustain growth in this F&B concept by expanding our menu, adopting a more stringent quality control policy and improving service quality to consolidate and enlarge our customer base.

Information Technology Business

Hospitality Software Solutions and Online Distribution Services

For the financial year ended 31 March 2012, turnover from the hospitality software solutions and online distribution services amounted to HK$43.8 million (2011: HK$29.2 million), representing an increase of 50% as compared with last financial year.

The improvement in turnover was mainly attributable to increase in hardware sale, which made up to approximately 23% (2011: 16%) of the total turnover of the I.T. business segment. Although the revenue went up, the results of the segment had deteriorated due to the high inflation rate in the region. The rise in revenue was unable to alleviate the impact of drastic increase in operating costs, especially in staff costs. As the operating costs were on the rise and competitors have been employing a cut throat price strategy, the business environment became increasingly difficult for the Company's survival in this segment.

Outsourcing and Information Solutions and Application Software Package Solutions

As the Board believes that it was to the best interest of the Group and our shareholders, the two subsidiaries of the Group's I.T. business in Hong Kong and Shenzhen, which had been making continuous losses since the financial year ended 31 March 2004, had been disposed of during the year under review for the purposes of not only providing an opportunity to the Group to streamline the operations of the Group, but also better allocating the resources of the Group with a view to optimising the productivity of the Group's operation.

Future Prospects

Food and Beverage Business

Our management had been continuously looking for new business opportunities to enhance the value of the Company. After the reporting period, the Company entered into two separate agreements with each of its F&B counterparts from Japan and Taiwan respectively. A licence agreement was concluded for forming a joint venture company specialising in ramen and izakaya businesses. Another agreement in relation to the franchising of a Taiwanese beef noodles brand in the region had been consummated. Currently, plans were already under way to initiate the two additional businesses in the region. We expected that the first outlet under each of the new brands would be unveiled soon.

Here, we were also pleased to report the arrival of our first Japanese curry specialty shop in late April 2012. As expected, this Japanese dining concept had been well received by the community. The shop had managed to achieve remarkable sales shortly after the opening. Two more locations for the Japanese curry outlets had been identified and we expected that more shops would be launched in the coming quarters.

As at the date of the annual report for the year ended 31 March 2012, a location for our new Japanese tonkatsu outlet in Shanghai had been confirmed and we were finalising the leasing terms with the landlord. Based on the experience we learnt from the first outlet in Shanghai, we expected that preparation for the second outlet would be much more effective in terms of time and costs. The new shop would soon be ready for business.

Recently, a new location had also been identified for our wellness concept café. The total number of outlets would reach 5 after the opening of the new shop. We expected that as the number of outlets expands, the café business would pick up gradually and contribute a greater portion of the Group's overall revenue.

As our portfolio and total number of outlets had been substantially expanded in financial year 2011/12, we foresaw that the current capacity of our food processing and catering services company would be insufficient to support the future demand for services from our Group members. We would speed up the process of planning and constructing our new central kitchen to facilitate the business growth of the Group.

Meanwhile, the Company would strive for the further growth of our existing brand names and seek for further opportunities of growth in the territory and beyond by cautiously expand the number of outlets, provided that good locations with reasonable rents could be identified. Riding on the success of our Japanese tonkatsu outlet in Shanghai, we would replicate our business model to develop other brands in our portfolio in the PRC.

In order to achieve our ultimate goal as a market leader in the F&B industry, we would continue to explore, both locally and overseas, different varieties of brands that would help to complement our existing portfolio, and more importantly, strengthen our market position and enhance our competitiveness.

For recent years, same as most of the retailers in Hong Kong, our business had been facing challenges and uncertainties resulted from the surge in raw material prices, labour costs, rental expenses and utility costs etc. Our management would continue to closely monitor the effect of such costs on our business and improve our efficiency in order to counterbalance the negative impact of the inflationary economy on our profit margin. Reinforced by our experienced management and operating team and fuelled by the ever-growing economy in the PRC, our Board was optimistic that prosperity of our F&B business would sustain.

Information Technology Business

In light of the increasing competition in the information technology servicing industry and the difficult operating environment, the I.T. business had been making continuous losses since the financial year ended 31 March 2004. To improve the financial and cashflow profile of the Group and to enhance its future development, the Group had diversified its business operations and embarked upon the food and beverage business in June 2010. In order to maintain its competitiveness, the Group had in the first fiscal quarter of the financial year 2011/12 completed the disposal of part of its loss-making I.T. business. After such disposal, however, there had been no significant improvement on the overall performance of the I.T. business segment. Instead, gross profit margin of the I.T. business had been deteriorating due to the fierce competition within the industry.

Facing with the current high inflation economic situation, costs in various aspects such as human resources, rental, utilities, etc. would continue to stand high and the Directors believed that the existing remaining I.T. business would continue to face a difficult year ahead. Under the above circumstances, the Directors considered that it was in the interest of the Group to dispose of the entire I.T. business so that the resources within the Group could be better allocated.

In late March 2012, the Company entered into a sale and purchase agreement to dispose of the I.T. business which provided an opportunity to the Group to better allocate its resources with a view to optimising the productivity of the Group's operation. The disposal had been duly approved by the shareholders of the Company at an extraordinary general meeting held on 18 April 2012. After the completion of the disposal, the Group would no longer engage in the I.T. business.

Financial Review

Consolidated results of operations

For the year ended 31 March 2012, the Group recorded a total turnover of HK$138.4 million (2011: HK$88.3 million), representing an increase of 57% compared with the previous year. Turnover generated from the continuing operations, food and beverage business, was HK$89.3 million (2011: HK$ 32.2 million), representing an increase of 177% compared with the previous year.

Net loss attributable to owners of the Company was HK$16.0 million (2011: HK$27.6 million).

Gross profit

The gross profit margin from the continuing operations of the Group was 68% (2011: 74%). It was resulted from the acquisition of Qualifresh Catering Limited ("Qualifresh"), which was providing food processing solution and catering services, the gross profit margin of which was not as high as the business of running restaurants in the Group.

Expenses

Total operating expenses for the continuing operations increased by 139% to HK$65.1 million (2011: HK$27.2 million). Such increase was attributable to the Group expanded its food and beverage business by acquiring a central kitchen which was providing food processing solutions and catering services and a group of companies which was running Shanghainese dining restaurants. In addition, the Group had opened three Japanese tonkatsu franchise outlets and four wellness cafés. The expansion of the food and beverage business led to an increase in the operating costs such as rental expense and staff salaries etc.

Financial resources and liquidity

During the year under review, the Group generally relied on internally generated funds and the net proceeds from the rights issue to finance its operation.

As at 31 March 2012, currents assets amounted to HK$77.5 million (2011: HK$64.9 million) of which HK$30.2 million (2011: HK$25.5 million) was cash and bank deposits, HK$15.5 million (2011: HK$6.7 million) was debtors, deposits and prepayment and HK$15.1 million (2011: HK$16.1 million) was assets of a disposed group classified as held for sale. The Group's current liabilities amounted to HK$70.8 million (2011: HK$17.3 million), including creditors, accruals and deposits received in the amount of HK$21.5 million (2011: HK$12.1 million) and liabilities directly associated with assets held for sale in the amount of HK$7.5 million (2011: HK$4.5 million). As at 31 March 2012, the convertible bonds amounted to HK$37.9 million (2011: HK$36.7 million) would be repayable within twelve months, it was treated as current liabilities in the financial year 2011/12 whereas it was included in the non-current liabilities in last financial year.

Current ratio and quick assets ratio as at 31 March 2012 was 1.10 and 1.08 respectively (2011: 3.74 and 3.73 respectively). Debt-to-equity ratio, expressed as a ratio of total debts less pledged time deposits, pledged bank balance, time deposits and cash and bank balances to total equity, was 0.88 (2011: 1.02).

Foreign exchange

The Group received renminbi income from sales in the PRC. Fluctuations in exchange rates of renminbi currencies against foreign currencies can affect the Group's results of operations. During the year under review, no hedging transaction or other exchange rate arrangements were made.

Charges on the Group's assets

As at 31 March 2012 and 2011, there were no Group's assets which had been pledged or charged except for a motor vehicle with carrying amount of HK$512,000 held under the obligation of finance lease as at 31 March 2011.

Capital commitments

As at 31 March 2012 and 31 March 2011, the Group had no material capital commitment.

Contingent liabilities

As at 31 March 2012, the Group did not have contingent liabilities. As at 31 March 2011, the Group had contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.3 million in relation to subsidiary which had been disposed on June 2011.

Other financial assets

On 10 February 2010, a wholly-owned subsidiary of the Company, Marvel Success subscribed at face value, a two-year 5% PJ Convertible Bond in the principal amount of US$2,000,000 (equivalent to approximately HK$15,500,000 as at 31 March 2012) issued by PJ Partners, a company which was incorporated in Singapore with limited liability and was engaged in food and beverage management business, with transaction costs of HK$1,300,000. According to the terms of the subscription agreement, the conversion price was lower of the net asset value per share or 2.5 times P/E of PJ Partners at the time of conversion provided that Marvel Success would be allowed to use US$2,000,000 to convert to common shares of PJ Partners up to 75% or minimum 25%.

At initial recognition, the loan receivable component of PJ Convertible Bond was recognised at fair value of HK$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable was carried at amortised cost in subsequent measurement.

For derivative component of convertible bond, the fair value at initial recognition was HK$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition.

As at 31 March 2011 and 31 March 2012, the management assessed the possibility of conversion to the common shares of PJ Partners by referring to PJ Partners' financial performance and future prospect and concluded that the conversion was not likely to be occurred unless there are any changes in PJ Partners' financial performance and future prospect. Accordingly, the carrying amount of derivate component of PJ Convertible Bond was revalued to zero as at 31 March 2011.

On 10 February 2012, Marvel Success executed a supplemental deed with PJ Partners under which the maturity date of the PJ Convertible Bond had been extended for one year from the second anniversary to the third anniversary of the date of the issue of the PJ Convertible Bond. As at 31 March 2012, the management assessed the recoverability of PJ Convertible Bond and concluded that no impairment was considered necessary.

Save as disclosed above, during two years ended 31 March 2011 and 2012, there was no ongoing financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and remuneration policies

As at 31 March 2012, the Group had 428 employees in Hong Kong and the PRC (2011: 392). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, were paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies and pension fund plans were offered to most employees. Share options were granted at the discretion of the Board under the terms and conditions of the share option scheme adopted on 23 February 2003.

The following is the text of an accountants' report on the Target Group for the sole purpose of inclusion in this circular, received from the reporting accountants, PKF, Certified Public Accountants.

大信梁學濂(香港)會計師事務所

PKF
Accountants & business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

The Directors
Epicurean and Company, Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding to Mark Limited (the "Target Company") and its subsidiary, (hereinafter collectively referred to as the "Target Group"), including the consolidated statements of comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2009, 2010, 2011 and the three-month period ended 31 March 2012 (the "Relevant Periods") and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2009, 2010, 2011 and 31 March 2012, and a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the circular of Epicurean and Company, Limited ("Epicurean") dated 30 July 2012 in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Circular").

The Target Company was incorporated in Hong Kong with limited liability on 18 May 2007. The principal activity of the Target Company is investment holding.

At the date of this report, the Target Company had interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation	Nominal value of issued and paid-up ordinary shares	Attributable equity interest directly held	Principal activities
I. T. H. K. Limitied ("IT HK")	Hong Kong 19 March 1991	HK$300,000	100%	Operation of restaurants, café and cake shops
I.T. PRC Limited ("IT PRC")	Hong Kong 11 May 2012	HK$1	100%	Not yet commenced business
I.T. TW Limited ("IT TW")	Hong Kong 11 May 2012	HK$1	100%	Not yet commenced business

All companies comprising the Target Group have adopted 31 December as its financial year end date.

No statutory financial statements have been prepared for IT PRC and IT TW as these companies are newly incorporated and have not reached their first reporting period end.

The statutory financial statements of the Target Company and IT HK, as set out below, which were prepared in accordance with applicable law and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), were audited during the Relevant Periods by the respective auditors as indicated below:

Name of company	Financial periods	Auditors
Target Company	Years ended 31 December 2009, 2010, 2011	PKF
IT HK	Years ended 31 December 2009 and 2010	Lawrence Cheung C.P.A. Company Limited
	Year ended 31 December 2011	PKF

For the purpose of this report, the sole director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs").

The Financial Information set out in this report has been prepared by the sole director of the Target Company based on the Underlying Financial Statements with no adjustment made thereon.

No audited financial statements have been prepared for the Target Company and its subsidiaries in respect of any period subsequent to 31 March 2012.

DIRECTOR'S RESPONSIBILITY

The sole director of the Target Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and in accordance with the disclosure requirement of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and Hong Kong Companies Ordinance and for such internal control as the sole director determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with HKSAs issued by the HKICPA and such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company and Target Group as at 31 December 2009, 2010, 2011 and the three-month period ended 31 March 2012 of the results and cash flows of the Target Group for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three-month period ended 31 March 2011, together with other explanatory information thereon (the "Stub Period Comparative Financial Information").

The sole director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in note 4 of the Financial Information. Our responsibility is to report on that Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on Stub Period Comparative Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 4 of the Financial Information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Three-month period ended 31 March	
		2009	2010	2011	2011	2012
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*5*	76,247	91,035	103,738	27,648	32,939
Cost of sales		(29,809)	(32,881)	(39,228)	(11,196)	(13,181)
Gross profit		46,438	58,154	64,510	16,452	19,758
Other income	*6*	580	700	796	176	261
Operating expenses		(47,976)	(51,066)	(56,670)	(13,740)	(16,167)
Operating (loss)/profit		(958)	7,788	8,636	2,888	3,852
Finance costs	*7(a)*	(93)	(120)	(108)	(22)	(80)
(Loss)/profit before income tax	*7*	(1,051)	7,668	8,528	2,866	3,772
Income tax credit/(expense)	*9*	50	(1,294)	(1,401)	(479)	(624)
(Loss)/profit for the year/period		(1,001)	6,374	7,127	2,387	3,148
Other comprehensive income		–	–	–	–	–
Total comprehensive (loss)/income for the year/period		(1,001)	6,374	7,127	2,387	3,148
(Loss)/profit for the year/period and total comprehensive (loss)/income for the year/period attributable to:						
Owner of the Target Company		(805)	5,590	7,127	2,387	3,148
Non-controlling interest		(196)	784	–	–	–
		(1,001)	6,374	7,127	2,387	3,148

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2009	**2010**	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Plant and equipment	*12*	3,888	3,934	11,108	11,188
Intangible assets	*13*	9,679	9,536	9,435	9,379
Goodwill on consolidation	*14*	5,936	5,936	5,936	5,936
Deferred tax assets	*22*	–	106	–	–
Deposit paid for acquisition of plant and equipment		212	238	381	632
Rental and other deposits		2,234	2,709	2,852	2,930
		21,949	22,459	29,712	30,065
CURRENT ASSETS					
Inventories	*15*	921	1,413	2,272	1,892
Debtors, deposits and prepayments	*16*	6,044	5,929	7,853	6,794
Amount due from a related company	*17*	–	–	4	1,015
Income tax recoverable		140	–	367	–
Cash and bank balances		4,989	7,844	8,564	8,842
		12,094	15,186	19,060	18,543
DEDUCT:					
CURRENT LIABILITIES					
Creditors, accruals and deposits received	*18*	8,404	10,422	12,488	9,571
Obligation under finance lease	*19*	303	84	–	–
Provision for long service payments	*21*	855	855	855	855
Bank and other loans, secured	*20*	1,920	1,067	3,944	3,928
Amounts due to related parties	*23*	611	835	1,455	1,815
Income tax payable		–	1,356	–	301
		12,093	14,619	18,742	16,470
NET CURRENT ASSETS		1	567	318	2,073
TOTAL ASSETS LESS CURRENT LIABILITIES		21,950	23,026	30,030	32,138

		As at 31 December			As at 31 March
		2009	**2010**	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES					
Other payables	*18*	32	126	47	32
Obligation under finance lease	*19*	84	–	–	–
Bank and other loans, secured	*20*	887	30	7,445	6,464
Deferred tax liabilities	*22*	1,493	1,485	1,739	1,695
Amounts due to related parties	*23*	16,854	17,732	10,019	10,019
		19,350	19,373	19,250	18,210
NET ASSETS		2,600	3,653	10,780	13,928
REPRESENTING:					
EQUITY ATTRIBUTABLE TO OWNER OF THE TARGET COMPANY					
Share capital	*24(a)*	–	–	–	–
Reserves		385	3,653	10,780	13,928
		385	3,653	10,780	13,928
Non-controlling interest		2,215	–	–	–
TOTAL EQUITY		2,600	3,653	10,780	13,928

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 31 March
		2009	**2010**	**2011**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Interest in a subsidiary	*11*	16,529	19,700	11,981	11,981
		16,529	19,700	11,981	11,981
CURRENT LIABILITY					
Creditors, accruals and deposits received	*18*	12	22	38	38
		12	22	38	38
NET CURRENT LIABILITIES		(12)	(22)	(38)	(38)
TOTAL ASSET LESS CURRENT LIABILITIES		16,517	19,678	11,943	11,943
NON-CURRENT LIABILITIES					
Amounts due to related parties	*23*	16,547	17,732	10,019	10,019
NET (LIABILITIES)/ASSETS		(30)	1,946	1,924	1,924
REPRESENTING :					
EQUITY ATTRIBUTABLE TO OWNER OF THE TARGET COMPANY					
Share capital	*24(a)*	–	–	–	–
(Accumulated losses)/retained profits		(30)	1,946	1,924	1,924
(CAPITAL DEFICIENCY)/ SHAREHOLDER'S FUNDS		(30)	1,946	1,924	1,924

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
At 1.1.2009	–	–	1,190	1,190	2,411	3,601
Total comprehensive loss for the year	–	–	(805)	(805)	(196)	(1,001)
At 31.12.2009 and 1.1.2010	–	–	385	385	2,215	2,600
Total comprehensive income for the year	–	–	5,590	5,590	784	6,374
Acquisition of additional interests in a subsidiary – note 31	–	(2,322)	–	(2,322)	(2,999)	(5,321)
At 31.12.2010 and 1.1.2011	–	(2,322)	5,975	3,653	–	3,653
Total comprehensive income for the year	–	–	7,127	7,127	–	7,127
At 31.12.2011 and 1.1.2012	–	(2,322)	13,102	10,780	–	10,780
Total comprehensive income for the period	–	–	3,148	3,148	–	3,148
At 31.3.2012	–	(2,322)	16,250	13,928	–	13,928
Three-month period ended 31 March 2011 (unaudited)						
At 1.1.2011	–	(2,322)	5,975	3,653	–	3,653
Total comprehensive income for the period	–	–	2,387	2,387	–	2,387
At 31.3.2011	–	(2,322)	8,362	6,040	–	6,040

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	(1,051)	7,668	8,528	2,866	3,772
Adjustments for:					
Amortisation of royalty on brand name	253	233	232	58	56
Depreciation of plant and equipment	2,168	2,155	2,389	538	813
Loss on disposal of plant and equipment	771	49	73	–	–
Loss on disposal of intangible assets	–	–	19	–	–
Interest income from related parties	–	–	(27)	–	(43)
Finance charge on obligation of finance lease	11	15	4	2	–
Interest expense	82	105	104	20	80
Operating profit before working capital changes	2,234	10,225	11,322	3,484	4,678
Decrease/(increase) in inventories	16	(492)	(859)	43	380
Increase/(decrease) in debtors, deposits and prepayments	(1,181)	(360)	(2,067)	1,045	981
Decrease/(increase) in amount due from a related company	–	–	(4)	–	(1,011)
Increase/(decrease) in creditors, accruals and deposits received	1,360	2,112	1,987	(1,007)	(2,932)
Cash generated from operations	2,429	11,485	10,379	3,565	2,096
Interest expense	(82)	(105)	(104)	(20)	(80)
Finance charge on finance lease	(11)	(15)	(4)	(2)	–
Interest income from related parities	–	–	27	–	43
Income tax (paid)/refund	(50)	88	(2,764)	–	–
NET CASH FROM OPERATING ACTIVITIES	2,286	11,453	7,534	3,543	2,059

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Deposit paid for acquisition of plant and equipment	(212)	(238)	(381)	(2,332)	(251)
Acquisition of additional interest in a subsidiary	–	(5,321)	–	–	–
Payment for acquisition of intangible assets	(165)	(90)	(150)	–	–
Payment for acquisition of plant and equipment	(2,715)	(2,038)	(9,417)	–	(893)
Sales proceeds from disposal of plant and equipment	179	–	19	–	–
NET CASH USED IN INVESTING ACTIVITIES	(2,913)	(7,687)	(9,929)	(2,332)	(1,144)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of finance lease	(1,326)	(303)	(84)	(84)	–
New bank and other loans	2,891	–	12,000	–	–
Repayment of bank and other loans	–	(1,710)	(1,708)	(375)	(997)
Increase/(decrease) in amount due to related parties	113	1,102	(7,093)	(403)	360
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	1,678	(911)	3,115	(862)	(637)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,051	2,855	720	349	278
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	3,938	4,989	7,844	7,844	8,564
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	4,989	7,844	8,564	8,193	8,842
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	4,989	7.844	8,564	8,193	8,842

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Target Company is an investment holding company. It's wholly-owned subsidiary, IT HK, is principally engaged in operation of restaurants, café and cake shops. The registered office of the Target Company is at 8/F Pedder Building, 12 Pedder Street, Central, Hong Kong.

2. Basis of preparation

Compliance with Hong Kong Financial Reporting Standards

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)-Int") collective term of which includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This Financial Information also complies with the applicable disclosure provisions of the GEM Listing Rules.

3. Application of new and revised Hong Kong Financial Reporting Standards

(a) For the purpose of this Financial Information, the Target Group has adopted all the new and revised HKFRSs applicable to the Relevant Periods from the beginning of the Relevant Periods.

(b) Hong Kong Financial Reporting Standards in issue but not yet effective

The following HKFRSs, in issue at 31 December 2011 have not been applied in the preparation of the Target Group's Financial Information for the periods since they were not yet effective for the Relevant Periods:–

HKAS 19 (2011)	Employee Benefits [4]
HKAS 27	Separate Financial Statements [4]
HKAS 28	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 7 (2010)	Disclosures – Transfers of Financial Assets [1]
Amendments to HKFRS 7 (2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]

[1] *Effective for annual periods beginning on or after 1 July 2011*

[2] *Effective for annual periods beginning on or after 1 January 2012*

[3] *Effective for annual periods beginning on or after 1 July 2012*

[4] *Effective for annual periods beginning on or after 1 January 2013*

[5] *Effective for annual periods beginning on or after 1 January 2014*

[6] *Effective for annual periods beginning on or after 1 January 2015*

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's Financial Information.

4. Significant accounting policies

(a) Measurement basis

The Financial Information is prepared under the historical cost basis.

(b) Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiary controlled by the Target Company. Control is achieved where the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year included in the profit or loss from the date that control commenced and up to the date that control ceased. When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or entity or other investments.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with those used by other members of the Target Group.

All intra-group transaction, balances, income and expenses are eliminated on consolidation.

Non-controlling interest represents the equity or deficiency in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of those interest that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interest either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Target Company. Non-controlling interest in the results of the Target Group is presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the periods between non-controlling interest and the owner of the Target Company. Loans from holders of non-controlling interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

(c) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(d) Revenue recognition

Revenue from provision of food and beverage services including services charges is recognised when catering services are provided.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Service fee income is recognised at the time when the services are provided.

(e) Plant and equipment

Plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to the profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated to write down the cost of plant and equipment to their estimated residual values on a straight-line basis over their estimated useful lives at the following annual rates and bases:–

Leasehold improvement	10% to 33.3%
Equipment	10% to 33.3%
Furniture and fixtures	10% to 33.33%
Motor vehicles	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the profit or loss on the date of retirement or disposal.

(f) Intangible assets (Other than goodwill)

The royalty on brand name represented initial lump sum paid to the franchisor in accordance with the franchise agreements for each newly established restaurant, café and cake shop. The amount is stated at cost less accumulated amortisation over its estimated useful life of five years using the straight-line method.

Trademark, which has acquired in relation to business combination, is recognised and measured at fair value at the acquisition date. In the opinion of the sole director, trademark has an indefinite useful life and is carried at cost less accumulated impairment losses. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(j).

(g) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(h) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.

(i) Employee benefits

Salaries, annual bonuses and annual leave entitlements are accrued in the period in which the associated services are rendered by employees of the Target Group.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimates of costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories as an expense in the period in which the reversal occurs.

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Target Group recovers or settles the carrying amounts of assets or liabilities recognised in the financial information.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to the profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash equivalents are short-term and highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

(n) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets that are held by Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance lease. Depreciation is provided at rates which writes off the cost of the assets over the term of the relevant lease or, where it is likely that the Target Group will obtain ownership of the asset, the life of the asset, as set out in note 4(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(j). Finance charges implicit in the lease payments are charged to the profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

(o) Related parties

A person or a close member of that person's family is related to the Target Group if that person (i) has control or a joint control over the Target Group; (ii) has significant influence over the Target Company; or (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

An entity is related to the Target Group if (i) the entity and the Target Group are members of the same group of companies; (ii) the entity is an associate or a joint venture of either the Target Group or a member of a group of which the Target Group is a member; (iii) the Target Group is an associate or a joint venture of either the entity or a member of a Target Group of which the entity is a member; (iv) the entity and the Target Group are joint ventures of the same third party; (v) the entity is a joint venture of a third entity and the Target Company is an associate of that third entity; (vi) the Target Group is a joint venture of a third entity and the entity is an associate of that third entity; (vii) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; (viii) the entity is controlled or jointly controlled by a person related to the Target Group or a close member of that person's family; (ix) a person who has control or joint control over the Target Group has significant influence over the entity; or (x) a person who has control or joint control over the Target Group is a member of the key management personnel of the entity (or of a parent of the entity).

(p) Foreign currency translation

The Financial Information is presented in Hong Kong dollar, which is also the Target Company's functional currency. The functional currency of the Target Company or its subsidiary is the currency of the primary economic environment in which the Target Company or its subsidiary operates.

Foreign currency transactions of the Target Company or its subsidiary are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognised in the profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value is determined and the exchange differences arising are recognised in the profit or loss, except for the exchange component of a gain or loss that is recognised directly in equity.

(q) Segment reporting

Operating segments, and amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

A segment is a distinguishable component of the Target Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment assets consist primarily of fixed assets, receivables and operating cash, income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities, income tax payable and deferred tax liabilities.

Segment capital expenditure is the total cost incurred during the periods to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses and non-controlling interest.

(r) Critical accounting estimate and judgements

Key sources of estimation uncertainty

In the process of applying the Target Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements are disclosed below:–

(i) Estimated useful lives of tangible assets

The Target Group estimates the useful lives of tangible assets based on the periods over which the assets are expected to be available for use. The Target Group reviews annually their estimated useful lives, based on factors that include asset utilisation and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of tangible assets would increase depreciation charges and decrease non-current assets.

(ii) Impairment of plant and equipment, goodwill and other non-current assets

Determining whether plant and equipment, goodwill and other non-current assets are impaired requires an estimation of the value in use of the cash-generating units to which the plant and equipment, goodwill and other non-current assets have been allocated. The calculation of value in use requires the Target Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

(iii) Fair value of identifiable assets and liabilities acquired through business combinations

The Target Group applies the acquisition method to account for business combinations, which requires the Target Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired.

5. Turnover

Turnover represents revenue recognised in respect of provision of food and beverage less discount during the years/periods. An analysis of the Target Group's turnover is set out below:–

	Year ended 31 December			Three-month period ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Provision of food and beverages	76,247	91,035	103,738	27,648	32,939

6. Other income

	Year ended 31 December			Three-month period ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Exchange gain	–	7	8	–	–
Interest income from related companies	–	–	27	–	43
Service fee income	580	661	761	176	218
Sundry income	–	32	–	–	–
	580	700	796	176	261

7. (Loss)/profit before income tax

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):–					
(a) Finance costs:–					
Finance charges on obligation under finance lease	11	15	4	2	–
Interest on bank and other loans wholly repayable within five years	82	105	104	20	80
	93	120	108	22	80
(b) Other items:–					
Auditors' remuneration					
– Current year/period	39	53	68	11	11
– Underprovision in prior years/period	–	–	6	–	–
	39	53	74	11	11
Amortisation of royalty on brand name	253	233	232	58	56
Depreciation on plant and equipment	2,168	2,155	2,389	538	813
Employee benefits expenses:–					
– Salaries and other benefits	17,156	19,364	22,238	5,199	6,517
– Retirement scheme contributions	771	875	976	245	294
	17,927	20,239	23,214	5,444	6,811
Sales proceeds of plant and equipment	(179)	–	(19)	–	–
Less: Carrying amounts of plant and equipment	950	49	92	–	–
Loss on disposal of plant and equipment	771	49	73	–	–
Sales proceeds of royalty on brand name	–	–	–	–	–
Less: Carrying amounts of royalty on brand name	–	–	19	–	–
Loss on disposal of royalty on brand name	–	–	19	–	–
Operating lease rentals for properties	16,780	19,163	21,833	5,754	6,470

8. Director's remuneration and employees' emoluments

(a) No director's remuneration disclosed pursuant of Section 161 of Hong Kong Companies Ordinance was paid or payable during the Relevant Periods.

(b) Five highest paid individuals

The remuneration of employees who were not director during the Relevant Periods and were amongst the five highest paid individuals of the Target Group are as follows:–

	Year ended 31 December			Three-month period ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Basic salaries allowances and benefits in kind	1,331	1,384	1,688	389	506
Retirement scheme contributions	60	60	60	15	15
	1,391	1,444	1,748	404	521

The number of employees whose remuneration fell within the following band is as follow:–

	Year ended 31 December			Three-month period ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
				(unaudited)	
Nil – HK$1,000,000	5	5	5	5	5

9. Income tax (credit)/expense

(a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. Taxation in the profit or loss represents:–

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profits tax					
– Current year	52	1,408	1,041	408	668
Deferred tax – *note 22*					
– Under-provision in prior year	(21)	–	–	–	–
– (Credit)/charge for the year	(81)	(114)	360	71	(44)
	(102)	(114)	360	71	(44)
Income tax (credit)/expense	(50)	1,294	1,401	479	624

(b) The income tax for the Relevant Periods can be reconciled to the (loss)/profit before income tax for the Relevant Periods as follows:–

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before income tax	(1,051)	7,668	8,528	2,866	3,772
Tax effect at the Hong Kong profits tax rate of 16.5%	(173)	1,265	1,407	473	622
Tax effect of non-deductible expenses	102	29	7	6	2
Tax effect of non-taxable income	–	–	(1)	–	–
Under-provision of deferred tax in prior year	21	–	–	–	–
Tax rebate	–	–	(12)	–	–
Income tax (credit)/expense	(50)	1,294	1,401	479	624

10. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. Interest in a subsidiary

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	14,379	19,700	19,700	19,700
Amount due from/(to) a subsidiary – Note 11(b)	2,150	–	(7,719)	(7,719)
	16,529	19,700	11,981	11,981

(a) Details of the subsidiary as at 31 December 2009, 2010, 2011 and 31 March 2012 are as follow:–

Name of company	Place of incorporation	Particulars of issued share capital	Attributable equity interest directly held – As at 31 December 2009	2010	2011	As at 31 March 2012	Principal activities
IT HK	Hong Kong	300,000 ordinary shares of HK$1 each	80%	100%	100%	100%	Operation of restaurants, café and cake shops

(b) The amount is unsecured, not repayable within one year and interest-free except for the amount HK$6,000,000 that carries interest rate at HIBOR plus 2.5% per annum. The sole director considers that the carrying amount approximate its fair value.

12. Plant and equipment

	Leasehold improvement *HK$'000*	Equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:–					
At 1.1.2009	2,624	5,533	3,177	580	11,914
Additions	394	1,031	885	405	2,715
Disposal	(262)	(660)	(370)	–	(1,292)
At 31.12.2009	2,756	5,904	3,692	985	13,337
Accumulated depreciation:–					
At 1.1.2009	1,852	3,727	1,788	256	7,623
Charge for the year	369	899	676	224	2,168
Written back on disposal	(66)	(183)	(93)	–	(342)
At 31.12.2009	2,155	4,443	2,371	480	9,449
Net book value:–					
At 31.12.2009	601	1,461	1,321	505	3,888
Cost:–					
At 1.1.2010	2,756	5,904	3,692	985	13,337
Additions	983	451	816	–	2,250
Disposal	(273)	(24)	(504)	–	(801)
At 31.12.2010	3,466	6,331	4,004	985	14,786
Accumulated depreciation:–					
At 1.1.2010	2,155	4,443	2,371	480	9,449
Charge for the year	327	810	749	269	2,155
Written back on disposal	(272)	(24)	(456)	–	(752)
At 31.12.2010	2,210	5,229	2,664	749	10,852
Net book value:–					
At 31.12.2010	1,256	1,102	1,340	236	3,934

	Leasehold improvement *HK$'000*	Equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:–					
At 1.1.2011	3,466	6,331	4,004	985	14,786
Additions	2,648	4,797	2,210	–	9,655
Disposal	(1,251)	(1,470)	(723)	–	(3,444)
At 31.12.2011	4,863	9,658	5,491	985	20,997
Accumulated depreciation:–					
At 1.1.2011	2,210	5,229	2,664	749	10,852
Charge for the year	539	889	770	191	2,389
Written back on disposal	(1,226)	(1,428)	(698)	–	(3,352)
At 31.12.2011	1,523	4,690	2,736	940	9,889
Net book value:–					
At 31.12.2011	3,340	4,968	2,755	45	11,108
Cost:–					
At 1.1.2012	4,863	9,658	5,491	985	20,997
Additions	29	612	252	–	893
Disposal	(60)	(12)	(37)	–	(109)
At 31.3.2012	4,832	10,258	5,706	985	21,781
Accumulated depreciation:–					
At 1.1.2012	1,523	4,690	2,736	940	9,889
Charge for the period	166	320	293	34	813
Written back on disposal	(60)	(12)	(37)	–	(109)
At 31.3.2012	1,629	4,998	2,992	974	10,593
Net book value:–					
At 31.3.2012	3,203	5,260	2,714	11	11,188

The carrying amount of plant and equipment held under a finance lease as at 31 December 2009 and 2010 were approximately HK$505,000 and HK$180,000 respectively. As at 31 December 2011 and 31 March 2012, no plant and equipment was held under finance lease.

13. Intangible assets

	Trademark	Royalty on brand name	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:–			
At 1.1.2009	9,000	1,814	10,814
Additions	–	165	165
At 31.12.2009	9,000	1,979	10,979
Accumulated amortisation:–			
At 1.1.2009	–	1,047	1,047
Charge for the year	–	253	253
At 31.12.2009	–	1,300	1,300
Net book value:–			
At 31.12.2009	9,000	679	9,679
Cost:–			
At 1.1.2010	9,000	1,979	10,979
Additions	–	90	90
At 31.12.2010	9,000	2,069	11,069
Accumulated amortisation:–			
At 1.1.2010	–	1,300	1,300
Charge for the year	–	233	233
At 31.12.2010	–	1,533	1,533
Net book value:–			
At 31.12.2010	9,000	536	9,536

	Trademark	Royalty on brand name	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:–			
At 1.1.2011	9,000	2,069	11,069
Additions	–	150	150
Disposal	–	(413)	(413)
At 31.12.2011	9,000	1,806	10,806
Accumulated amortisation:–			
At 1.1.2011	–	1,533	1,533
Charge for the year	–	232	232
Written back on disposal	–	(394)	(394)
At 31.12.2011	–	1,371	1,371
Net book value:–			
At 31.12.2011	9,000	435	9,435
Cost:–			
At 1.1.2012 and 31.3.2012	9,000	1,806	10,806
Accumulated amortisation:–			
At 1.1.2012	–	1,371	1,371
Charge for the period	–	56	56
At 31.3.2012	–	1,427	1,427
Net book value:–			
At 31.3.2012	9,000	379	9,379

Note:

The recoverable amount of the Trademark has been determined by the value-in-use calculation, details of which are disclosed in note 14.

14. Goodwill on consolidation and impairment

	HK$'000
Cost:–	
At 1.1.2009, 31.12.2009, 1.1.2010, 31.12.2010, 1.1.2011 31.12.2011,1.1.2012 and 31.3.2012	5,936

Impairment test for goodwill and intangible asset

The recoverable amount has been determined based on a value in use calculation using cash flow projection which is based on financial budget approved by management covering a period of five years. The discounted rate applied to cash flow projection is 5%.

Key assumptions used in value in use calculations

The followings describe each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill and intangible assets *(note 13)*:–

– Budgeted turnover

The basis used to determine the budgeted turnover is with reference to the expected growth rate of the market in which the assessed entity operates.

– Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the first budgeted year, increased for expected efficiency improvements.

– Business environment

There will be no major changes in the existing political, legal and economic conditions in Hong Kong in which the assessed entity carries on its business.

15. Inventories

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	751	1,217	1,803	1,605
Work in progress	36	39	69	61
Finished goods	134	157	400	226
	921	1,413	2,272	1,892

16. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:–

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	3,391	3,702	4,469	3,191
Less: Accumulated impairment loss	(478)	(478)	(478)	(478)
	2,913	3,224	3,991	2,713
Deposits	2,501	2,324	2,930	3,063
Prepayments	72	10	293	172
Other debtors	558	371	639	846
	6,044	5,929	7,853	6,794

(a) Aging analyses

The Target Group allows its customers credit period of around one month depending on their credit worthiness. The following is an aging analysis of trade debtors (net of allowance for doubtful debts) at the end of reporting period:–

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 60 days	2,913	3,224	3,991	2,713

No movement on the Target Group provision for impairment of trade debtors of the Target Group in Relevant Periods.

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	2,913	3,224	3,991	2,713

(b) Trade debtors that are not impaired

The aging of trade debtors that were neither past due nor impaired is within 60 days. These relate to customers for whom there was no recent history of default.

17. Amount due from a related company

The amounts are interest free, unsecured and have no fixed repayment term.

Details disclosed pursuant to Section 161(B) of the Hong Kong Companies Ordinance in relation to the amount due from a related company in which the sole director, Mr. Tang Sing Ming Sherman, has controlling interests is as follows:–

	Balance outstanding		
Related company	**At 1.1.2011**	**Maximum outstanding during the year**	**At 31.12.2011**
	HK$'000	*HK$'000*	*HK$'000*
Epicurean Management Limited	–	4	4

	Balance outstanding		
Related company	**At 1.1.2012**	**Maximum outstanding during the period**	**At 31.3.2012**
	HK$'000	*HK$'000*	*HK$'000*
Epicurean Management Limited	4	1,015	1,015

18. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:–

	The Target Group			
	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	3,972	5,312	5,882	4,589
Other creditors	910	1,096	1,175	1,704
Accruals	3,461	4,021	5,230	3,059
Receipt in advance	93	119	248	251
	8,436	10,548	12,535	9,603
Less: Classified as non-current liabilities	(32)	(126)	(47)	(32)
Classified as current liabilities	8,404	10,422	12,488	9,571

Creditors, accruals and deposits received comprise:–

	The Target Company			
				As at
	As at 31 December			31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	12	22	38	38

19. Obligation under finance lease

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:–

	Minimum lease payment				Present value of minimum lease payment			
				As at				As at
	As at 31 December			31 March	As at 31 December			31 March
	2009	2010	2011	2012	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:–								
Within one year	319	88	–	–	303	84	–	–
In the second to fifth year	88	–	–	–	84	–	–	–
	407	88	–	–	387	84	–	–
Less: Future finance charges	20	4	–	–	–	–	–	–
Present value of lease obligation	387	84	–	–	387	84	–	–

The average lease term is about two years. No arrangement has been entered into for contingent rental payment.

20. Bank and other loans, secured

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other loans, secured				
– Within one year	1,920	1,067	3,944	3,928
– In the second to fifth year	887	30	7,445	6,464
	2,807	1,097	11,389	10,392

The Target Group's bank and other loans are interest-bearing with details as follows:–

As at 31 December 2009, HK$2,807,000 fixed-rate borrowings which carry interest rates from 2.3% to 3% per annum, denominated in Hong Kong dollars and secured by personal guarantee provided by the sole director.

As at 31 December 2010, HK$1,097,000 fixed-rate borrowings which carry interest rates from 2.3% to 3% per annum, denominated in Hong Kong dollars and secured by personal guarantee provided by the sole director.

As at 31 December 2011, HK$30,000 and HK$11,359,000 are interest bearing, which are at fixed interest rate of 2.4% per annum and floating rate of HIBOR plus 2.5% per annum respectively, denominated in Hong Kong dollars and secured by personal guarantee provided by the sole director.

As at 31 March 2012, HK$10,392,000 floating borrowings which carry interest rate of HIBOR plus 2.5% per annum, denominated in Hong Kong dollars and secured by personal guarantee provided by the sole director.

21. Provision for long service payments

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for long service payments	855	855	855	855

The provision for long service payments represents the best estimate of the long service payments that are required to be made to the employees of the Target Group in respect of their services to date less any amounts that would be expected to be met out of the Target Group's mandatory provident fund.

22. Deferred tax

The followings are deferred tax (liabilities)/assets recognised by the Target Group and movements thereon during the Relevant Periods:–

	Trademark	(Decelerated)/ accelerated depreciation allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1.1.2009	(1,485)	(110)	(1,595)
Credit for the year – *Note 9*	–	102	102
At 31.12.2009 and 1.1.2010	(1,485)	(8)	(1,493)
Credit for the year – *Note 9*	–	114	114
At 31.12.2010 and 1.1.2011	(1,485)	106	(1,379)
Charge for the year – *Note 9*	–	(360)	(360)
At 31.12.2011 and 1.1.2012	(1,485)	(254)	(1,739)
Credit for the period – *Note 9*	–	44	44
At 31.3.2012	(1,485)	(210)	(1,695)

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Represented by:–				
Deferred tax assets	–	106	–	–
Deferred tax liabilities	(1,493)	(1,485)	(1,739)	(1,695)
	(1,493)	(1,379)	(1,739)	(1,695)

23. Amounts due to related parties

The amounts due to related parties are interest-free and unsecured. The amounts due to a related parties are repayable as follow:–

	The Target Group			
	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year:–				
Amounts due to related companies	505	752	1,455	1,815
Amount due to a director	106	83	–	–
Current portion	611	835	1,455	1,815
Not repayable within one year:–				
Amount due to a related company	206	–	–	–
Amount due to a director	307	–	–	–
Amount due to a shareholder	16,341	17,732	10,019	10,019
Non-current portion	16,854	17,732	10,019	10,019
	17,465	18,567	11,474	11,834

	The Target Company			
	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non current portion				
Amount due to a related company	206	–	–	–
Amount due to a shareholder	16,341	17,732	10,019	10,019
	16,547	17,732	10,019	10,019

24. Capital and reserves attributable to shareholder of the Target Company

(a) *Share capital*

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$	*HK$*	*HK$*	*HK$*
Authorised				
10,000 ordinary shares of HK$1 each	10,000	10,000	10,000	10,000
Issued and fully paid				
1 share of HK$1 each	1	1	1	1

(b) *Capital management*

The Target Group's equity capital management objectives are to safeguard the Target Group's ability to continue as a going concern and to provide an adequate return to shareholder commensurately with the level of risk. To meet these objectives, the Target Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholder, issuing new equity shares, and raising or repaying debts as appropriate.

The Target Group's equity capital management strategy was to maintain a reasonable proportion in total debts and equity capital. The Target Group monitored equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Equity capital comprises all components of equity (i.e. share capital and retained profits). The debt-to-equity capital ratio as at 31 December 2009, 2010, 2011 and 31 March 2012 were as follows:–

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total debt	31,443	33,992	37,992	34,680
Less: Cash and bank balances	(4,989)	(7,844)	(8,564)	(8,842)
Net debt	26,454	26,148	29,428	25,838
Total equity	2,600	3,653	10,780	13,928
Debt-to-equity capital ratio	1017%	716%	273%	186%

25. Major non-cash transaction

For the year ended 31 December 2009, certain plant and equipment of approximately HK$2,690,000 were acquired through finance lease.

26. Bank facilities

As at 31 December 2009, 2010, 2011 and 31 March 2012, the Target Group's banking facilities to the extent HK$5,005,000, HK$5,366,000, HK$12,360,000 and HK$12,000,000 were secured by personal guarantee provided by the sole director.

27. Operating lease commitments

At the end of each reporting period, the Target Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:–

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	14,900	14,931	17,213	19,521
In the second to fifth year	9,964	11,103	9,819	11,406
	24,864	26,034	27,032	30,927

Operating lease payment represents rentals payable by the Target Group for the use of office premises, restaurants, café, cake shops, cake factory and car parking spaces. Leases are negotiated (i) for terms of six months to three years with a pre-determined percentage of turnover or fixed monthly rentals whichever is higher, or (ii) for terms of one to three years with fixed monthly rentals.

28. Related party transactions

Except for transactions as disclosed in notes 17, 20, 23 and 26, the Target Group had the following material transactions with its related parties in which the sole director of the Target Group has controlling interest under the GEM Listing Rules during the Relevant Periods:–

			Year ended 31 December			Three-month period ended 31 March	
			2009	2010	2011	2011	2012
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(i)	Rental expenses paid to Joint Allied Limited	**(a)**	–	141	1,013	253	253
(ii)	Purchases from Qualifresh	**(a)**	–	–	181	–	112
(iii)	Interest income from Epicurean Management Limited ("EML")	**(b)**	–	–	27	–	47
(iv)	Sales to EML	**(a)**	–	–	4	–	–
(v)	Service fee to EML	**(a)**	2,612	–	–	–	–

(a) The transactions were entered into based on the normal commercial terms.

(b) The interest rate was determined at HIBOR plus 2.5% per annum.

The sole director has reviewed the above related party transactions and is of the opinion that these transactions were effected on normal commercial terms (or better to the Target Group) and in the ordinary course of the business of the Target Group.

Key management compensation

	Year ended 31 December			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowance and other benefits in kind	1,691	1,604	1,999	509	601
Retirement scheme contributions	60	60	66	15	18
	1,751	1,664	2,065	524	619

29. Retirement benefit costs

The Target Group had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK$1,000 whichever is the lower.

30. Segment reporting

Revenue

Revenue represents income arising from the provision of food and beverage less discount during the Relevant Periods.

Segment information

The chief operating decision-maker has been identified as the sole director of the Target Group. The Target Group is principally engaged in the operation of restaurants, café and cake shops. The sole director regards it as a single operating segment and therefore, no segment information is presented.

Geographical information

The Target Group's operation is located in Hong Kong. The Target Group generated revenue from Hong Kong.

Information about major customers

No individual customer during Relevant Periods contributing over 10% of the total revenue of the Target Group.

31. Transactions with non-controlling interests

Acquisition of additional interests in a subsidiary

On 1 April 2010 and 30 December 2010, the Target Group acquired additional 10% and 10% equity interests in a subsidiary at considerations of JPY30,000,000 (equivalent to HK$2,460,000) and JPY30,000,000 (equivalent to HK$2,861,000) respectively. Each of the carrying amount of the non-controlling interest in this subsidiary on the dates of acquisitions was approximately HK$1,252,000 and HK$1,747,000 respectively. The Target Group recognised a decrease in non-controlling interests on the dates of acquisitions of approximately HK$1,252,000 and HK$1,747,000 respectively and a decrease in equity attributable to shareholders of the Target Company of approximately HK$1,208,000 and HK$1,114,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Target Company during the year is summarised as follows:–

	2010
	HK$'000
Consideration paid to non-controlling interest	(5,321)
Carrying amount of non-controlling interest acquired	2,999
Loss on acquisition within equity	2,322

32. Nature and extent of financial instruments risks

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Target Group by failing to discharge an obligation. The Target Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

Carrying amounts of financial assets as at 31 December 2009, 2010, 2011 and 31 March 2012 which represented the amounts of maximum exposure to credit risk, were as follows:–

	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Debtors and deposits	8,418	8,867	10,792	10,184
Amount due from a related company	–	–	4	1,015
Cash and bank balances	4,989	7,844	8,564	8,842
	13,407	16,711	19,360	20,041

In respect of trade debtors, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within one month from the date of billing. Normally, the Target Group does not obtain collateral from customers.

The sole director considers that the risk from amount due from a related company acquired is minimal as the related company is financially healthy.

The sole director considers that the credit risk from cash and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The Target Group does not provide any guarantees which would expose the Target Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Target Group will encounter difficulty in meeting obligations associated with financial liabilities. The Target Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Target Group to meet its financial obligations, measured by the debt-to-equity capital ratio.

Maturities of the financial liabilities of the Target Group and Target Company as at 31 December 2009, 2010, 2011 and 31 March 2012 were as follows:–

	The Target Group			
	As at 31 December			As at 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total amounts of contractual undiscounted obligations:–				
Creditors, accruals and deposits received	7,740	9,673	11,416	8,393
Obligation under finance lease	407	88	–	–
Amounts due to related parties	17,465	18,567	11,474	11,834
Bank and other loans, secured	2,807	1,097	11,389	10,392
	28,419	29,425	34,279	30,619
Due for payment:–				
Within one year	11,445	12,518	17,670	14,991
In the second to fifth year	16,974	16,907	16,609	15,628
	28,419	29,425	34,279	30,619

	The Target Company			
				As at
	As at 31 December			31 March
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total amounts of contractual undiscounted obligations:–				
Creditors, accruals and deposits received	12	22	38	25
Amounts due to related parties	16,547	17,732	10,019	17,738
	16,559	17,754	10,057	17,763
Due for payment:–				
Within one year	12	22	38	25
In the second to fifth year	16,547	17,732	10,019	17,738
	16,559	17,754	10,057	17,763

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Target Group did not have any material exposure to currency risk as all the financial assets and liabilities were denominated in their functional currencies for Relevant Periods.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Target Group's interest rate risk arises primarily from bank and other loans, obligation under finance lease and bank balances. Except for part of bank and other loans and obligation under finance lease, which are held at fixed interest rates, the others are held at variable rates. The Target Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Target Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

(i) Interest rate profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of each reporting period.

	As at 31 December						As at 31 March	
	2009		2010		2011		2012	
	Effective interest rate		*Effective interest rate*		*Effective interest rate*		*Effective interest rate*	
	%	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
Fixed rate financial liabilities:–								
– Bank and other loans, secured	4.54-5.69	(2,807)	4.54-5.69	(1,097)	4.54-5.69	(30)	4.54-5.69	–
– Obligation under finance lease	4.36-5.75	(387)	4.36-5.75	(84)	4.36-5.75	–	4.36-5.75	–
Variable rate financial assets								
– Bank and other balances	0.01-0.05	4,624	0.01-0.05	7,528	0.01-0.05	8,138	0.01-0.05	8,499
Variance rate financial liabilities								
– Bank and other loans, secured	–	–	–	–	2.71	(11,359)	2.88	(10,392)
Net financial assets/(liabilities)		1,430		6,347	387	(3,251)		(1,893)
Effect resulted in decrease in loss for the year/period if interest rate increased by 100 basis points		46		–		–		–
Effect resulted in increase/(decrease) in profit for the year/period if interest rate increased by 100 basis points		–		75		(32)		(19)

(ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the effect of which to the Target Group (loss)/profit for the year/period was shown above.

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting periods. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting periods were outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

The Target Group does not have significant market price risk.

(f) Fair value

The carrying amounts of the Target Group's financial instrument carried at cost or amortised cost were not materially different from their fair value as at Relevant Periods.

33. Contingent liabilities

As at 31 March 2012, in the opinion of sole director, the Target Group had no material contingent liabilities.

34. Ultimate holding company

The sole director considers the ultimate holding company as at 31 March 2012 to be Strong Venture Limited, a company incorporated in the British Virgin Islands.

Yours faithfully,

PKF
Certified Public Accountants
Hong Kong, 30 July 2012

The following is the text of the unaudited pro forma financial information of the Enlarged Group prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, PKF, Certified Public Accountants.

大信梁學濂(香港)會計師事務所

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

The Directors
Epicurean and Company, Limited

Dear Sirs,

We report on the unaudited pro forma statement of financial position, statement of comprehensive income and statement of cash flows of Epicurean and Company, Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Mark Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which have been prepared by the directors of the Company for illustrative purpose only, to provide information about how the acquisition of the entire issued share capital of the Target Company and the shareholder's loan of the Target Company (the "Acquisition") might have affected the financial information presented, for inclusion as Appendix III to circular of the Company dated 30 July 2012 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is set out in page III-4 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the sole responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit nor review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

(a) the financial position of the Enlarged Group as at 31 March 2012 or any future date; or

(b) the financial results and cash flows of the Enlarged Group for the year ended 31 March 2012 or any future period.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Company on the basis stated;

(b) such basis is consistent with the principal accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

PKF
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The accompanying unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated comprehensive income, unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of cash flow of the Enlarged Group, has been prepared by the directors of the Company in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for illustrative purpose only, to provide information about how the acquisition might have affected the financial position, results of operations and cash flows of the Group as if the Acquisition had been completed on (i) 31 March 2012 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group; and (ii) 1 April 2011 in respect of the unaudited pro forma consolidated statement of comprehensive income and cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 March 2012 is based upon (i) the consolidated statement of financial position of the Group as at 31 March 2012, as extracted from the annual report of the Company for the year ended 31 March 2012; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2012, as extracted from the Accountants' Report thereon set out in Appendix II of this Circular after making appropriate pro forma adjustments that are considered necessary as described in the accompanying notes.

The unaudited pro forma consolidated statement of comprehensive income and statement of cash flows of the Enlarged Group for the year ended 31 March 2012 are prepared based upon (i) the consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 extracted from the Company's annual report for the year ended 31 March 2012; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2011, as extracted from the Accountants' Report thereon set out in Appendix II to this Circular after making appropriate pro forma adjustments that are considered necessary as described in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the unaudited pro forma financial information of the Enlarged Group does not purport to describe the true picture of the financial position, results of operations and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed as at the specified dates. Further, the unaudited pro forma financial information of the Enlarged Group does not purport to the future financial position, results of operations and cash flows of the Enlarged Group.

The unaudited pro form financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group, the Accountants' Reports on Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments			The Enlarged Group
			Note 2	*Note 3*	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Turnover	89,272	103,738	(293)			192,717
Cost of sales	(28,777)	(39,228)	293			(67,712)
Gross profit	60,495	64,510				125,005
Other income	1,118	796				1,914
Operating expenses	(65,080)	(56,670)		(1,200)		(122,950)
Operating (loss)/profit	(3,467)	8,636				3,969
Finance costs	(3,462)	(108)			(3,721)	(7,291)
(Loss)/profit before income tax	(6,929)	8,528				(3,322)
Income tax expense	(34)	(1,401)				(1,435)
(Loss)/profit for the year from continuing operations	(6,963)	7,127				(4,757)
Discontinuing operations						
Loss for the year from discontinuing operations	(8,943)	–				(8,943)
(Loss)/profit for the year	(15,906)	7,127				(13,700)
Other comprehensive loss, net of tax						
Exchange loss arising on translation of financial statements of foreign operations	(616)	–				(616)
Total comprehensive (loss)/income for the year/period	(16,522)	7,127				(14,316)

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments			The Enlarged Group
			Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS						
Plant and equipment	21,818	11,188				33,006
Intangible assets	5,850	9,379				15,229
Goodwill on consolidation	4,936	5,936	56,053			66,925
Deferred tax assets	2,852	–				2,852
Deposit paid for acquisition of plant and equipment	–	632				632
Rental and other deposit	–	2,930				2,930
	35,456	30,065				121,574
CURRENT ASSETS						
Other financial assets	15,550	–				15,550
Inventories	1,010	1,892				2,902
Debtors, deposits and prepayments	15,489	6,794	10,019	(10,019)		22,283
Amount due from a related company	–	1,015				1,015
Income tax recoverable	121	–				121
Time deposits	612	–				612
Cash and bank balances	29,628	8,842			(1,200)	37,270
	62,410	18,543				79,753
Assets of a disposal group classified as assets held for sale	15,111	–				15,111
	77,521	18,543				94,864
DEDUCT:						
CURRENT LIABILITIES						
Convertible bonds	37,927	–				37,927
Amounts due to related parties	1,289	1,815				3,104
Bank and other loans – secured	387	3,928				4,315
Creditors, accruals and deposits received	21,537	9,571				31,108
Provision for long service payments	–	855				855
Income tax payable	2,075	301				2,376
	63,215	16,470				79,685
Liabilities directly associated with assets held for sale	7,548	–				7,548
	70,763	16,470				87,233
NET CURRENT ASSETS	6,758	2,073				7,631
TOTAL ASSETS LESS CURRENT LIABILITIES	42,214	32,138				129,205

	The Group	The Target Group	Pro forma adjustments			The Enlarged Group
			Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES						
Convertible bonds	–	–	73,305			73,305
Deferred tax liabilities	566	1,695				2,261
Amounts due to related parties	1,289	–				1,289
Other payables	164	32				196
Bank and other loans – secured	–	6,464				6,464
Amount due to a director	–	10,019		(10,019)		–
	2,019	18,210				83,515
NET ASSETS	40,195	13,928				45,690
REPRESENTING:						
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital	16,430	–				16,430
Reserves	22,607	13,928	(7,233)		(1,200)	28,102
	39,037	13,928				44,532
Non-controlling interests	1,158	–				1,158
TOTAL EQUITY	40,195	13,928				45,690

(D) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
			Note 3	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax					
– continuing operations	(6,929)	8,528	(1,200)	(3,721)	(3,322)
– discontinued operations	(9,319)	–			(9,319)
Adjustments for:					
Foreign exchange gain	(697)	–			(697)
Interest income	(73)	(27)			(100)
Interest income from other financial assets	(780)	–			(780)
Imputed interest income from other financial assets	(280)	–			(280)
Interests expenses	45	104			149
Interest expense on convertible bonds	1,172	–		1,600	2,772
Imputed interest expense on convertible bonds	1,213	–		2,121	3,334
Finance charges on obligation under finance lease	8	4			12
Depreciation of plant and equipment	7,864	2,389			10,253
Loss on disposal of plant and equipment	59	73			132
Loss on written off other intangible assets	–	19			19
Amortisation of other intangible assets	257	232			489
Amortisation of transaction costs on other financial assets	540	–			540
Equity-settled share-based payment expenses	384	–			384
Impairment loss on trade debtors	242	–			242
Unrealised loss on financial assets at fair value through profit or loss	211	–			211
Net loss on disposal of subsidiaries	5,332	–			5,332

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
			Note 3	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating (loss)/profit before working capital changes	(751)	11,322			9,371
Increase in inventories	(405)	(859)			(1,264)
Increase in debtors, deposits and prepayments	(5,145)	(2,067)			(7,212)
Decrease/(increase) in amount due from a related company	515	(4)			511
Decrease in amount due to a related company	(439)	–			(439)
Increase in creditors, accruals and other payables	12,349	1,987			14,336
Cash generated from operations	6,124	10,379			15,303
Income tax paid	(523)	(2,764)			(3,287)
Interest received	73	27			100
Interest income from other financial assets	778	–			778
Interests expense	(45)	(104)			(149)
Interest expense on convertible bonds paid	(1,172)	–		(1,600)	(2,772)
Finance charges on obligation under finance lease paid	(8)	(4)			(12)
NET CASH FROM OPERATING ACTIVITIES	5,227	7,534			9,961
CASH FLOWS FROM INVESTING ACTIVITIES					
Deposits paid for acquisition of plant and equipment	–	(381)			(381)
Payment for purchase of plant and equipment	(22,610)	(9,417)			(32,027)
Net payment for acquisition of subsidiaries	(7,153)	–			(7,153)
Sales proceeds from disposal of plant and equipment	29	19			48
Net proceeds from disposal of interests in subsidiaries	1,905	–			1,905
Payment for acquisition of other intangible assets	(1,303)	(150)			(1,453)

	The Group	The Target Group	Pro forma adjustments Note 3	Note 4	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NET CASH USED IN INVESTING ACTIVITIES	(29,132)	(9,929)			(39,061)
Net proceeds from Rights Issue	31,775	–			31,775
Capital element of finance lease rentals paid	(43)	(84)			(127)
New loans raised	–	12,000			12,000
Repayment of bank and other loans	(401)	(1,708)			(2,109)
Increase in amount due to a director	–	(7,093)			(7,093)
NET CASH FROM FINANCING ACTIVITIES	31,331	3,115			34,446
NET INCREASE IN CASH AND CASH EQUIVALENT	7,426	720			5,346
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	29,998	7,844			37,842
EFFECT OF EXCHANGE RATES CHANGES	(45)	–			(45)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37,379	8,564			43,143

(E) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Pursuant to the Sale and Purchase Agreement, the Group will issue the Convertible Bond as the Consideration for the Acquisition.

   The acquisition of 100% interest in the Target Group was assumed to be completed on 31 March 2012, the Group recognised a goodwill of approximately HK$56,053,000 (the consideration of HK$69,981,000 less carrying value of net assets of the Target Group of HK$13,928,000 from the Sale and Purchases Agreement. Since the carrying amount of the identifiable assets and liabilities of the Target Group at the date of completion may be difference from their carrying amounts as at 31 March 2012, the actual goodwill arising from the acquisition may be different from that presented above)

The following pro forma adjustments are to reflect the effect of the Acquisition on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as if the Acquisition had been completed on 31 March 2011. The effect includes recognition of i) estimated goodwill; ii) acquisition of Shareholder's Loan; and iii) issuance of Convertible Bond.

	HK$'000
Consideration (issuance of Convertible Bond)	80,000
Less: Consideration for Shareholder's Loan	10,019
The consideration for acquisition of the Sale Share	69,981
Carrying amount of net identifiable assets of the Target Group as at 31 March 2012	13,928
Estimated Goodwill	56,053

Since the fair value of the identifiable assets and liabilities of the Target Group at the date of completion may be different from their carrying amounts as at 31 March 2012, the actual goodwill arising from the acquisition of Sale Share may be different from that presented above.

The liability component of the Convertible Bond is initially recognised at approximately HK$73,305,000. The fair value of the liability component is estimated by discounted cash flows method using a market interest rate of 5% per annum for an equivalent non-convertible debt. The residual amount of approximately HK$6,695,000, representing the value of the equity conversion component, is included in the convertible bonds equity reserve of the owners' equity.

2. The adjustment represents the elimination of transactions and balances between the Group and the Target Group.

3. The adjustment represents estimated Acquisition related cost of approximately HK$1,200,000.

4. The adjustment represents the estimated finance cost from interest expense and imputed interest expense on the Convertible Bond of approximately HK$1,600,000 (at an interest rate of 2% per annum) and HK$2,121,000 (at an interest rate of 3% per annum) respectively. This adjustment will have a continuing effect on the Enlarged Group in subsequent years.

The followings are management discussion and analysis of the Target Group for the three years ended 31 December 2009, 2010 and 2011 and the three months ended 31 March 2012. The financial data and information contained in this section are mainly based on the information contained in Appendix II to this circular.

I. For the Year Ended 31 December 2009

Business Review

In year 2009, sales of approximately HK$76,247,000 were generated. As at the year-end date, there were 23 outlets in operation.

During the year, locations for new outlets had been identified for opening 2 café and 2 cake shops in Hong Kong. Due to the rapid expansion of the shop network, the management foresaw that the existing infrastructure would be insufficient to fulfill the future development plan of the company. Therefore, the management had been actively searching for a suitable site for the establishment of the new cake factory.

Financial Review

Revenue of the group was approximately HK$76,247,000.

Cost of sales was HK$29,809,000, representing approximately 39.10% of the total sales.

The gross profit was HK$46,438,000, representing a gross profit margin of 60.90%.

Operating expenses was HK$47,976,000, or approximately 62.92% of the total sales of the year, out of which, staff cost amounted to HK$17,927,000 and depreciation and amortization amounted to HK$2,421,000, representing approximately 19.37% and 3.18% of the total sales of the year respectively.

Loss before taxation was HK$1,051,000.

II. For the Year Ended 31 December 2010

Business Review

In year 2010, sales of HK$91,035,000 were recorded, representing an increase of approximately 19.39% comparing with the previous year. The substantial growth in sales was mainly attributable to the increase in number of outlets and customer flow.

During the year, the management had strived to boost the sales by increasing the product mix, closing down underperforming outlets and expanding the shop network. In 2010, there was a net increase in total number of operating shops by 2 to 25. Meanwhile, IT HK launched "Italian Tomato Moon-Cake" in the Mid-autumn Festival. The taste and packaging of the new products were designated to differentiate from the traditional moon-cake in order to capture the market of the younger consumption group. As the new product had been well received by the community, it had been able to generate a new stream of revenue to complement the fluctuation of sales during the non-peak season in the third quarter of the financial year.

Meanwhile, a suitable site for the new cake factory had been identified. Planning for the construction work had been making satisfactory progress. It was expected that the cake factory would be able to commence operation in 2011.

Financial Review

Revenue of the year was HK$91,035,000, or increased by approximately 19.39% comparing with the previous year.

Cost of sales was approximately HK$32,881,000, representing approximately 36.12% of the total sales. The decrease in percentage cost of sales to total sales was mainly due to a more stringent cost control system as implemented by the management.

Gross profit was approximately HK$58,154,000, representing an increase of approximately 25.23% comparing with the previous financial year.

Operating expenses was HK$51,066,000, representing approximately 56.09% of the total sales of the year, or up by approximately 6.44% comparing with the previous year. The decrease in operating expenses relatively to the total sales of the group was mainly attributable to the adoption of a more effective cost control system by the management and the company starting to enjoy the benefit of economy of scale as the business expanded. Amongst the operating costs, staff cost was HK$20,239,000, representing an increase of approximately 15.06% of comparing with the previous year. The increase in staff costs was primarily resulted from the opening of new shops and strengthen of the senior management team to sustain the increase in scale of business of the group. Depreciation and amortization, another component of the operating expenses, were HK$2,388,000, representing a slight decrease of approximately 1.36% comparing to the previous year.

Profit before taxation was HK$7,668,000, representing an increase of approximately 829.59% comparing with the previous year. The drastic increase in profit before tax was due to the combined effects of the reasons as mentioned above.

III. For the Year Ended 31 December 2011

Business Review

Revenue of approximately HK$103,738,000 was generated, representing a growth of approximately 13.95% comparing with the previous year. As at the year ended 31 December 2011, the Target Group operated 24 outlets in Hong Kong. The growth in sales was mainly attributable to the increase in average spending and customer flow, as well as closing down of underperforming outlets.

In 2011, the construction of the new cake factory with production capacity doubled that of the old production site had been brought to completion. The new infrastructure had help to enhance work flows which led to a more efficient productivity. In light of the expanded production facilities, the company had increased its product range. In particular, "Italian Tomato Cookies" gift box was developed, which had brought additional income to the Target Group, especially during the holiday seasons.

During the year, the government imposed the "minimum wage policy" which had resulted in a notable increase in overall labour costs in the market, creating pressure on the profitability of the Target Group. Leveraging on the brand recognition and reputation of quality products, the group was capable of maintaining its bargaining power to raise price and sustaining a reasonable level of profit margin.

Financial Review

Revenue of the year was HK$103,738,000, or increased by approximately 13.95% comparing with the previous year.

Cost of sales was approximately HK$39,228,000, representing approximately 37.81% of the total sales. The increase in cost of sales relative to the total sales was due to the rising costs of raw material during the year.

The gross profit was approximately HK$64,510,000, representing an increase of approximately 10.93% comparing with the previous financial year.

Operating expenses was HK$56,670,000, representing approximately 54.63% of the total sales of the year, or up by approximately 10.97% comparing with the previous year. The increase in the amount of operating expenses was mainly attributable to the rising rental rates, labour costs and utility expenses etc. under the mist of the inflationary economy. The operating expenses relative to sales, however, decreased due to further enhancement of the costs control system and increased in productivity as facilitated by the new cake factory. Amongst the operating costs, staff cost was HK$23,214,000, representing approximately 18.30% of the total sales of the year. Staff cost increased by HK$1,987,000, or approximately 11.69% from 2010 to 2011 which was primarily due to the enforcement of the minimum wage policy in May 2011, salary increment during the year, strengthen of the senior management team and expansion of the operating division to support the growing sales of the outlets. Depreciation and amortization, another component of the operating costs, were HK$2,621,000, representing an increase of 9.76% comparing with the previous year. The increase in depreciation and amortization was mainly attributable to the construction of the new cake factory in 2011.

Profit before taxation was HK$8,528,000, representing an increase of 11.22% comparing with 2010.

IV. For the Three-months Ended 31 March 2012

Business Review

The revenue increased by HK$5,291,000 or approximately 19.14% from HK$27,648,000 in the three months ended 31 March 2011 to HK$32,939,000 in the same period ended 2012. Such a tremendous increase in sales was primarily due to a raise in price since the beginning of the year and a significant increase in customer flow benefited from the success of the advertisement campaign launched since the end of the previous financial year.

Financial Review

Revenue of the period was HK$32,939,000, or increased by approximately 19.14% comparing with the sales of HK$27,648,000 during the same period in the previous year.

Cost of sales was approximately HK$13,181,000, representing 40.02% of the total sales. The percentage cost of sales to total sales was generally higher in the first quarter comparing with other periods of a year due to a greater contribution of sales from gift boxes which involved a higher cost.

The gross profit was approximately HK$19,758,000, representing an increase of 20.09% comparing with the same period last year.

Operating expenses was HK$16,167,000, representing approximately 49.08% with the total sales of the year, or up by approximately 17.66% comparing with the previous year. Staff cost, a major component of the operating expenses, was HK$6,811,000, representing an increase of approximately 25.11% comparing with the same period last year. The increase in staff cost was primarily due to the enforcement of the minimum wage policy since May 2011, annual salary review and continuous expansion of the operation team. Depreciation and amortization, another component of operating expenses, were HK$869,000, representing an increase of approximately 45.81% comparing to the same period last year. The increase in depreciation and amortization was mainly attributable to the establishment of the new cake factory in 2011.

Profit before taxation was HK$3,772,000, representing an increase of approximately 31.61% comparing with the same period last year.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular 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 document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:–

Authorised:		*HK$*
5,000,000,000	Shares of par value of HK$0.01 each	50,000,000
Issued and fully paid or credited as fully paid		*HK$*
1,642,950,000	Shares as at the Latest Practicable Date	16,429,500

3. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive in the Shares, underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the

SFO, to be entered in the register referred to therein; or (c) 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**	**Approximate percentage of the issued capital** *(note 2)*
Mr. Tang	corporate	1,073,810,083 *(note 1)*	65.36%
Mr. Lee Shun Hon, Felix ("Mr. Lee")	personal	3,100,000	0.19%

Notes:

1. These Shares are held by First Glory which is wholly and beneficially owned by Mr. Tang. First Glory also holds Existing Convertible Bonds issued by the Company in the aggregate principal amount of HK$39 million pursuant to which a total of 650,000,000 ordinary Shares of the Company will be issued upon full conversion at the adjusted conversion price of HK$0.060 per Share. Mr. Tang is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the SFO, in the said 1,073,810,083 Shares and the Existing Convertible Bonds which First Glory is interested in.

2. Based on 1,642,950,000 Shares of the Company in issue as at the Latest Practicable Date.

(b) Interests in underlying shares of equity derivatives of the Company

Name	**Type of interests**	**Number of Shares**	**Approximate percentage of the issued capital** *(note 3)*
Mr. Tang	corporate	650,000,000 *(note 1)*	39.56%
		1,000,000,000 *(note 2)*	60.87%

Outstanding options granted to the Directors under the share option scheme adopted on 26 February 2003:

Name	Date of grant	Exercise price per Share *HK$* *(note 4)*	Exercisable period	Approximate percentage of the issued share capital *(note 3)*	Number of share options outstanding
Mr. Tang	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.30%	5,000,000
	23 December 2011	0.062	23 December 2013 to 22 December 2021	0.30%	5,000,000
	23 December 2011	0.062	23 December 2014 to 22 December 2021	0.30%	5,000,000
Mr. Bhanusak Asvaintra	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000
Mr. Chan Kam Fai Robert	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000
Mr. Chung Kwok Keung Peter	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000

Notes:

1. The said 650,000,000 Shares represent the total number of shares which will be issued upon full conversion of the Existing Convertible Bonds held by First Glory in the aggregate principal amount of HK$39 million at the adjusted conversion price of HK$0.060 per Share. According to the terms of the Existing Convertible Bonds, conversion of the Existing Convertible Bonds is subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, and any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirements as stipulated in the GEM Listing Rules at the time of such conversion. Mr. Tang is deemed to be interested, within the meaning of Part XV of the SFO, in the Existing Convertible Bonds held by First Glory.

2. Pursuant to the terms of the Sale and Purchase Agreement and the Subscription Agreement, the Company will issue the Convertible Bond to Strong Venture Limited or its nominee(s) upon Completion. The said 1,000,000,000 Shares represent the total number of shares which will be issued upon full conversion of the Convertible Bond in the aggregate principal amount of HK$80 million at the initial conversion price of HK$0.08 per Share. According to the terms of the Convertible Bond, conversion of the Convertible Bond

is subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, and any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirements as stipulated in the GEM Listing Rules at the time of such conversion. Strong Venture Limited is wholly and beneficially owned by Mr. Tang. Therefore, Mr. Tang is deemed to be interested, within the meaning of Part XV of the SFO, in the Convertible Bond to be issued to Strong Venture Limited or its nominee(s) pursuant to the Sale and Purchase Agreement and the Subscription Agreement.

3. Based on 1,642,950,000 Shares of the Company in issue as at the Latest Practicable Date.

4. The original exercise price in respect of the share options granted on 13 August 2010 was HK$0.142 per Share. Adjustment of the exercise price of such share options has been made on 28 October 2011 to HK$0.138 per Share as a result of rights issue by the Company.

(c) Interests in the shares of associated corporations of the Company

Name	Name of associated corporation	Capacity	Number of ordinary shares	Percentage of interest held
Mr. Tang	First Glory	Beneficial owner	1	100%

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Mr. Tang	corporate	HK$39 million *(note 1)*
		HK$80 million *(note 2)*

Notes:

1. The said HK$39 million represents the aggregate outstanding principal amount of the Existing Convertible Bonds held by First Glory, which is wholly-owned by Mr. Tang. A total of 650,000,000 Shares will be issued upon full conversion of the Existing Convertible Bonds at the adjusted conversion price of HK$0.060 per Share.

2. Pursuant to the terms of the Sale and Purchase Agreement and the Subscription Agreement, the Company will issue the Convertible Bond to Strong Venture Limited or its nominee(s) upon Completion. The said HK$80 million represents the principal amount of the Convertible Bond which will be issued to Strong Venture Limited or its nominee(s) upon Completion. Strong Venture Limited is wholly and beneficially owned by Mr. Tang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any option in respect of such capital, which is required to be disclosed by virtue of paragraph 38(3) of Appendix 1B to the GEM Listing Rules:

Name of shareholder	Capacity	Number of Shares	Approximate percentage of the issued capital *(note 3)*
First Glory *(note 1)*	Corporate	1,073,810,083	65.36%
		650,000,000	39.56%
Strong Venture Limited *(note 2)*	Corporate	1,000,000,000	60.87%

Notes:

1. First Glory is wholly and beneficially owned by Mr. Tang. The said 1,073,810,083 Shares were issued and are held by First Glory. First Glory also holds the Existing Convertible Bonds issued by the Company in the aggregate principal amount of HK$39 million pursuant to which a total of the said 650,000,000 ordinary Shares of the Company will be issued upon full conversion at the adjusted conversion price of HK$0.060 per Share.

2. Pursuant to the terms of the Sale and Purchase Agreement and the Subscription Agreement, the Company will issue the Convertible Bond to Strong Venture Limited or its nominee(s) upon Completion. The said 1,000,000,000 Shares represent the total number of shares which will be issued upon full conversion of the Convertible Bond in the aggregate principal amount of HK$80 million at the initial conversion price of HK$0.08 per Share. Strong Venture Limited is wholly and beneficially owned by Mr. Tang.

3. Based on 1,642,950,000 Shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the Directors and the chief executives of the Company, who had, or was deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any option in respect of such capital.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or the controlling Shareholders or any of their respective associates had any interest in a business which competes or may compete directly or indirectly with the business of the Group or any other conflicts of interests with the Group.

Mr. Tang is a seasoned entrepreneur in hospitality management and consultancy services. He owns a well established hospitality group which creates and operates a wide variety of food and beverage concepts in Hong Kong and the PRC. Other than the Group, the restaurants currently owned and operated by Mr. Tang and his associates in Hong Kong include a number of Chinese restaurants（namely Joy & Joy 喜双逢, Xia Mian Guan 夏麵館 and Yu Joy 漁喜小菜皇）, Western restaurants (namely The Peak Lookout, Jimmy's Kitchen, Steik World Meats, El Pomposo, Agave, Club 97, La Dolce Vita 97 and iL Posto 97) and Japanese restaurants （Rei 礼, Italian Tomato and Naha 那霸沖繩料理）, and Mr. Tang and his associates currently operate one restaurant in the PRC, namely Jimmy's Kitchen Shanghai. The information of these restaurants, including their locations and menus, can be found in the website www.epicurean.com.hk (which is not the website of the Company).

Given the cuisines and dining experiences that these restaurants offer vis-a-vis that are currently offered by the Group's restaurants (which are Japanese tonkatsu under the name of Ginza Bairin 銀座梅林, the Shanghainese dining restaurants under the brand name of Xia Fei 霞飛, the Japanese curry specialty shop under the brand name of Shirokuma Curry 白熊咖哩 and the wellness concept café under the brand name of Quick & Fresh), Mr. Tang considers that the restaurants currently owned or operated by him and his associates (otherwise than through the Group) are not in competition with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

None of the Directors has any interest, either directly or indirectly, in any assets which has since 31 March 2012 (being the date to which the latest published audited accounts of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group, except:

(a) a tenancy agreement was entered into between Supercom Investments Limited (a company owned by Mr. Lee and his associates) on the one hand and Armitage Technologies Limited (an independent third party) on the other hand in connection with the renting of the office situated at 10th Floor, Everwin Centre, 72 Hung To Road, Kwun Tong, Kowloon, Hong Kong, and then the Group sub-leased part of such office from Armitage Technologies Limited for a period from 1 January 2012 to 31 December 2012 at a monthly rental of HK$4,400;

(b) a tenancy agreement was entered into between Epicurean Management Limited (a company controlled by Mr. Tang) and the Company in connection with the rental of the office situated at 8/F, Pedder Building, 12 Pedder Street, Central, Hong Kong for a period from 1 June 2011 to 31 October 2012 at a monthly rental of HK$20,000;

(c) a tenancy agreement entered into between Joint Allied Limited (a company owned by Mr. Tang's family trust in which Mr. Tang is one of the beneficiaries) as the landlord and IT HK (a company which will upon Completion become an indirect wholly-owned subsidiary of the Company) as the tenant in respect of the property known as (a) Units G, H, I, J, K, L, M, N, O on 6/F, Wah Lik Industrial Centre, 459-469 Castle Peak Road, Tsuen Wan, N.T., Hong Kong and (b) Lorry Car Parking Spaces 2 and 6 on 1/F, Wah Lik Industrial Centre, 459-469 Castle Peak Road, Tsuen Wan, N.T., Hong Kong for a term of three years from 1 November 2010 to 31 October 2013 at the monthly rental of HK$99,358.00;

(d) a sale and purchase agreement dated 8 March 2012 was entered into between the Company as the vendor and Figo Investments Limited ("**Figo**") (which is a company wholly-owned by Mr. Lee Shun Hon, Felix) as the purchaser in relation to the sale and purchase of 102,013 shares in Armitage Technologies Holding (BVI) Limited ("**ATH(BVI)**") representing the entire interest in ATH(BVI) at the consideration of HK$1,600,138.66 ("**ATH Sale and Purchase Agreement**"); and

(e) the assignment of shareholder's loan dated 24 April 2012 and entered into among the Company as the assignor, Figo as the assignee and ATH(BVI) pursuant to the ATH Sale and Purchase Agreement in relation to the assignment of the shareholder's loan owing by ATH(BVI) to the Company in the sum of HK$62,806,679.29 (the "**ATH Assignment of Shareholder's Loan**");

Save as disclosed in this circular, there is no contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into a service contract or a proposed service contract with the Company or any member of the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. QUALIFICATION AND CONSENT OF EXPERT

(a) The followings are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	**Qualification**
Messis Capital Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO
PKF	Certified Public Accountants

(b) As at the Latest Practicable Date, each of Messis Capital Limited and PKF has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

(c) Each of Messis Capital Limited and PKF has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 July 2012 and references to its name in the form and context in which they appear.

8. EXPERTS' INTERESTS

As at the Latest Practicable Date,

(a) each of Messis Capital Limited and PKF did not have any direct or indirect interest in any asset which had since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) each of Messis Capital Limited and PKF was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group was made up.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the sale and purchase agreement dated 25 January 2011 entered into between Alpha Skill Holdings Limited ("**Alpha Skill**"), a former subsidiary of the Company, as vendor and Glorywin Holdings Limited ("**Glorywin**") as purchaser in relation to the sale and purchase of Armitage Technologies Limited ("**ATL(HK)**") at the consideration of HK$2,725,361.81 ("**ATL Sale and Purchase Agreement**");

(b) the equity interest transfer agreement dated 25 January 2011 entered into between Armitage Holdings Limited, a former subsidiary of the Company as vendor and Glorywin as purchaser in relation to the sale and purchase of the entire equity interest and registered capital of 萬迅電腦軟件(深圳)有限公司 (Armitage Technologies (Shenzhen) Limited) at the consideration of HK$100,000;

(c) the assignment of shareholder's loan dated 14 June 2011 and entered into among Alpha Skill as the assignor, Glorywin as the assignee and ATL(HK) pursuant to the ATL Sale and Purchase Agreement in relation to the assignment of the shareholder's loan owing by ATL(HK) to Alpha Skill in the sum of HK$30,938,819.91;

(d) the sale and purchase agreement dated 30 May 2011 entered into between Robust Asia Limited ("**Robust Asia**"), an indirect wholly-owned subsidiary of the Company as purchaser, and Mr. Chung Hoi Shuen ("**Mr. H.S. Chung**") and Mr. Tong Hei Wah Aro as vendors, in relation to: (i) the acquisition of 70% of the share capital of Qualifresh at the total consideration of HK$3,500,000.00; and (ii) the grant of a call option by Mr. H.S. Chung to Robust Asia for Robust Asia to purchase up to 30% of the share capital of Qualifresh for an aggregate amount of up to HK$1,500,000.00;

(e) the option deed dated 30 May 2011 entered into among Mr. H.S. Chung, Mr. Ma Hing Ho Stephen ("**Mr. Stephen Ma**") and Robust Asia in relation to the grant of options of Kosmo Delight Limited ("**Kosmo**") by Mr. H.S. Chung and Mr. Stephen Ma to Robust Asia for Robust Asia to purchase: (i) 50% of the share capital of Kosmo from Mr. H.S. Chung at a price in the range of HK$150,000.00 to HK$750,000.00; (ii) 50% of the share capital of Kosmo from Mr. Stephen Ma at a price in the range of HK$150,000.00 to HK$750,000.00;

(f) the sale and purchase agreement dated 7 October 2011 entered into between Marvel Success Limited ("**Marvel Success**") and Splendid Ray Limited ("**Splendid Ray**") in relation to the acquisition of 100% issued share capital of Rainbow Sky Enterprises Limited ("**Rainbow Sky**") at the consideration of HK$8,577,889.20 ("**Rainbow Sale and Purchase Agreement**");

(g) the assignment of shareholder's loan dated 1 November 2011 and entered into among Splendid Ray as the assignor, Marvel Success as the assignee and Rainbow Sky pursuant to the Rainbow Sale and Purchase Agreement in relation to the assignment of the shareholder's loan owing by Rainbow Sky to Splendid Ray in the sum of HK$10,706,360.07;

(h) the underwriting agreement dated 7 October 2011 entered into between the Company and First Glory (the underwriter) in relation to the issue of 547,650,000 Shares under the rights issue by the Company ("**Rights Issue**");

(i) the irrevocable undertakings dated 7 October 2011 entered into between the Company and First Glory (the controlling shareholder of the Company), pursuant to which First Glory has irrevocably undertaken to the Company that, among others, the 632,845,290 Shares beneficially owned by it would remain so beneficially owned by it from the date of the irrevocable undertakings up to 28 October 2011, the record date to determine entitlements to the Rights Issue;

(j) the supplemental deed dated 10 February 2012 executed between PJ Partners and Marvel Success in relation to the extension of the maturity date of the convertible bond in the aggregate principal amount of US$2 million issued by PJ Partners to Marvel Success pursuant to the subscription agreement dated 22 December 2009 entered into between the same parties;

(k) the ATH Sale and Purchase Agreement;

(l) the ATH Assignment of Shareholder's Loan; and

(m) the Sale and Purchase Agreement dated 25 June 2012 entered into between Strong Venture Limited as the vendor and Theola Limited as the purchaser in relation to the sale and purchase of one (1) issued share in Mark (representing 100% of the issued share capital of Mark) and the shareholder's loan due and owing by Mark to Strong Venture Limited at the total consideration of HK$80,000,000.00.

12. AUDIT COMMITTEE

The Company has established an audit committee ("**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, namely Mr. Bhanusak Asvaintra ("**Mr. Asvaintra**"), Mr. Chan Kam Fai Robert ("**Mr. Robert Chan**") and Mr. Chung Kwok Keung Peter ("**Mr. Peter Chung**"). Further details of them are as follows:

Mr. Asvaintra, aged 67, is the chairman of the Audit Committee. Mr. Asvaintra obtained degrees from University of Pennsylvania and University of Chicago. Mr. Asvaintra held senior executive positions with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. In 1980, Mr. Asvaintra joined the Charoen Pokphand group of companies (the "Pokphand Group") and retired as the chief executive officer of the Pokphand Group in 1998. Mr. Asvaintra is currently an independent non-executive director of Dickson Concepts (International) Limited, a company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 113), since he was appointed to the post in September 2004.

Mr. Robert Chan, aged 55, has over 30 years' experience in international advertising agencies and multi-media operations, both in Hong Kong and mainland China. Mr. Robert Chan is currently a managing director of an outdoor media specialist company.

Mr. Peter Chung, aged 58, has over 20 years' experience in manufacturing business. He was a director of Racing Champions Corporation, the shares of which are listed on the NASDAQ Stock Market in the United States of America, from April 1996 to May 2008. Mr. Peter Chung is currently an operating partner of a private equity business.

13. MISCELLANEOUS

(a) The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The head office and principal place of business of the Company is at 8th Floor, Pedder Building, 12 Pedder Street, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Ho King Yee. He holds a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University, and is a member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. Tang Sing Ming Sherman, who is also an executive Director, the chairman of the Board and the chief executive officer of the Company.

(f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 8th Floor, Pedder Building, 12 Pedder Street, Central, Hong Kong for a period of 14 days (except public holidays) from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2011 and 31 March 2012;

(c) the material contracts as referred to under the paragraph headed "Material Contracts" in this appendix; and

(d) the letter from the Independent Financial Adviser referred to in this circular.

epicurean 惟膳

Epicurean and Company, Limited
惟膳有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BOND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Epicurean and Company, Limited (the "**Company**") will be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on 14 August 2012 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, pass with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the entering into the Sale and Purchase Agreement dated 25 June 2012 ("**Sale and Purchase Agreement**") entered into between Strong Venture Limited ("**Vendor**") as the vendor and Theola Limited ("**Purchaser**") as the purchaser in relation to the sale and purchase of one (1) issued share in Mark Limited ("**Mark**") (representing 100% of the issued share capital of Mark) and the shareholder's loan ("**Shareholder's Loan**") due and owing by Mark to the Vendor at the total consideration of HK$80,000,000.00; the assignment of the Shareholder's Loan; the subscription agreement to be entered into between the Company and the Vendor or its nominee(s) for the subscription of convertible bond(s) in the aggregate principal amount of HK$80,000,000.00 ("**Convertible Bond**") and the respective transactions contemplated thereunder (including but not limited to the Acquisition, the issue of the

Convertible Bond, the grant of specific mandate to authorise the Directors to issue and allot the conversion shares ("**Conversion Shares**") to the convertible bondholder ("**Convertible Bondholder**") upon the exercise of the conversion rights attached to the Convertible Bond, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bond) be hereby approved, confirmed and ratified; and

(b) any one Director or the Company Secretary be and is hereby authorised to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement, the Assignment of Loan, the Subscription Agreement and the respective transactions contemplated thereunder, and to make or agree such variations of a non-material nature to any of the terms thereof as any Director may in his discretion consider to be desirable and in the interest of the Company."

Terms defined in the circular of even date issued by the Company to its shareholders shall have the same meanings in this notice of EGM unless the context otherwise specified.

By order of the Board of
Epicurean and Company, Limited
Tang Sing Ming Sherman
Chairman

Hong Kong, 30 July 2012

Notes:

(a) Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(c) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting should you so wish.