

新煮意控股有限公司

Food Idea Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8179



2015

Third Quarterly
Report



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

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This report, for which the directors (the “Directors”) of Food Idea Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wong Kwan Mo (*Chairman*)
Ms. Lau Lan Ying (*Chief executive officer*)
Mr. Yu Ka Ho (appointed on 22 June 2015)

Independent non-executive Directors

Mr. Li Fu Yeung
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Compliance Officer

Ms. Lau Lan Ying

Authorized Representatives

Ms. Lau Lan Ying
Mr. Wong Tin King, Richard, *CPA, FCA*

Company Secretary

Mr. Wong Tin King, Richard, *CPA, FCA*

Audit Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Advisers to the Company

Michael Li & Co.

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office, Headquarters and Principal Place of Business in Hong Kong

Shop No. 46, Ground Floor
Ho Shun Tai Building
No. 10 Sai Ching Street
Yuen Long
New Territories
Hong Kong

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Company Website

www.gayety.com.hk

GEM Stock Code

8179





HIGHLIGHTS

- The Group's revenue for the nine months ended 30 September 2015 increased by approximately 1% to approximately HK\$349,419,000 (2014: HK\$346,503,000).
- Profit attributable to the owners of the Company for the nine months ended 30 September 2015 increased by approximately 1,241% to approximately HK\$172,450,000 (2014: HK\$12,858,000).
- Basic earnings per share for the nine months ended 30 September 2015 was approximately 4.49 HK cents (2014: 0.38 HK cents).



The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2015 (the “Third Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2015

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	110,937	125,158	349,419	346,503
Other income		52	66	319	255
Cost of inventories consumed		(37,168)	(42,295)	(112,394)	(111,215)
Employee benefits expenses		(39,807)	(38,882)	(122,678)	(112,481)
Depreciation		(3,975)	(5,629)	(16,392)	(16,564)
Operating lease rentals and related expenses		(12,339)	(11,719)	(36,596)	(34,532)
Utilities expenses		(6,675)	(8,209)	(20,914)	(23,787)
Loss on disposal of financial assets at fair value through profit or loss		(257)	–	(237)	–
Gain on fair value change of financial assets at fair value through profit or loss		74,417	–	216,594	–
Change in fair value of contingent consideration payable		(1,008)	–	(1,844)	–
Impairment losses on property, plant and equipment		(1,631)	–	(6,294)	–
Other operating expenses		(19,915)	(11,062)	(49,257)	(30,278)
Share of (loss) profit of an associate		(1,942)	–	11,953	–
Finance costs	4	(227)	(203)	(621)	(402)
Profit before tax	5	60,462	7,225	211,058	17,499
Income tax expenses	6	(13,352)	(1,964)	(38,983)	(4,154)
Profit for the period		47,110	5,261	172,075	13,345



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2015

Note	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Other comprehensive expense for the period: <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences on translation of foreign operations	(10)	–	(9)	(7)
Total comprehensive income for the period	47,100	5,261	172,066	13,338
Profit for the period attributable to:				
Owners of the Company	46,862	4,867	172,450	12,858
Non-controlling interests	248	394	(375)	487
	47,110	5,261	172,075	13,345
Total comprehensive income attributable to:				
Owners of the Company	46,852	4,867	172,441	12,851
Non-controlling interests	248	394	(375)	487
	47,100	5,261	172,066	13,338
Earnings per share				
– Basic and diluted (HK cents)	1.06	0.15	4.49	0.38

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2015	3,200	65,421	106	(972)	(6)	136,862	204,611	1,167	205,778
Profit and total comprehensive (expense) income for the period	-	-	-	-	(9)	172,450	172,441	(375)	172,066
Issue of new shares	2,560	311,680	-	-	-	-	314,240	-	314,240
Transaction costs attributable to the issue of new shares	-	(5,555)	-	-	-	-	(5,555)	-	(5,555)
Dividend (Note 8)	-	-	-	-	-	-	-	(900)	(900)
At 30 September 2015	5,760	371,546	106	(972)	(15)	309,312	685,737	(108)	685,629
At 1 January 2014	3,200	65,421	106	448	-	55,236	124,411	2,962	127,373
Profit and total comprehensive (expense) income for the period	-	-	-	-	(7)	12,858	12,851	487	13,338
Acquisition of subsidiaries	-	-	-	-	-	-	-	(1,005)	(1,005)
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	638	638
Dividend (Note 8)	-	-	-	-	-	-	-	(900)	(900)
At 30 September 2014	3,200	65,421	106	448	(7)	68,094	137,262	2,182	139,444

Notes:

- (i) Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.
- (ii) Other reserve represents the transactions with the non-controlling interests and capital contributions from the non-controlling interests.



NOTES TO THE THIRD QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Shop No. 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories.

The Company's principal activity during the period was investment holding. The Group's principal activities during the period were (i) catering services in Hong Kong and the People's Republic of China (the "PRC"); (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investments in securities; and (iv) money lending business.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Third Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2014 (the "2014 Annual Report"), except for the adoption of the new and revised HKFRSs, which are effective for the financial year beginning on or after 1 January 2015. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The Third Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2014 Annual Report.

The Third Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured of fair value. The Third Quarterly Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.



3. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Catering services – The operation of restaurants in Hong Kong and the PRC.
- (ii) Food products operation – The production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei, to supermarket chains in Hong Kong.
- (iii) Investments – Investments in securities.
- (iv) Money lending – The provision of money lending business in Hong Kong.

Segment turnover and results

Segment turnover represents revenue derived from the provision of catering services, sales of food products, gross proceeds from the disposal of investments (if any), dividend income and interest income from the financial assets at fair value through profit or loss ("FVTPL") and the provision of money lending business.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of bank interest income, central administrative expenses, change in fair value of contingent consideration payable, share of results of an associate, other losses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.



3. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the nine months ended 30 September 2015

	Catering services <i>HK\$'000</i> (Unaudited)	Food products operation <i>HK\$'000</i> (Unaudited)	Investments <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
SEGMENT TURNOVER	283,290	65,970	2,548	1,495	(2,307)	350,996
SEGMENT REVENUE						
External sales	280,983	65,970	971	1,495	-	349,419
Inter-segment sales	2,307	-	-	-	(2,307)	-
Total	283,290	65,970	971	1,495	(2,307)	349,419
RESULTS						
Segment results	(10,861)	(134)	216,736	(1,008)	-	204,733
Unallocated income						39
Unallocated corporate expenses						(3,202)
Change in fair value of contingent consideration payable						(1,844)
Share of profit of an associate	11,953	-	-	-	-	11,953
Finance costs						(621)
Profit before tax						211,058

3. SEGMENT INFORMATION (CONTINUED)

For the nine months ended 30 September 2014

	Catering services <i>HK\$'000</i> (Unaudited)	Food products operation <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
SEGMENT TURNOVER	307,317	39,186	346,503
SEGMENT REVENUE			
External sales	307,317	39,186	346,503
RESULTS			
Segment results	20,548	1,389	21,937
Unallocated income			146
Unallocated corporate expenses			(4,182)
Finance costs			(402)
Profit before tax			17,499

Geographical information

No geographical information is presented as all revenue from external customers of the Group are derived in Hong Kong.



4. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Finance costs on secured bank borrowings:				
Not wholly repayable within five years	18	20	54	61
Wholly repayable within five years	158	133	416	194
Unwinding of discount on provision for reinstatement costs	51	50	151	147
	227	203	621	402

5. PROFIT BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:				
Operating lease rentals in respect of rented premises	9,940	9,394	29,506	28,332



6. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current income tax				
Current year provision	330	1,964	2,506	4,653
Overprovision in prior years	–	–	–	(499)
	330	1,964	2,506	4,154
Deferred income tax	13,022	–	36,477	–
	13,352	1,964	38,983	4,154

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months ended 30 September 2015.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for both periods since the subsidiary in the PRC did not derive any assessable profits for both periods.

The deferred tax represents the temporary differences in relation to the unrealized gain on financial assets at FVTPL for the nine months ended 30 September 2015.



7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to the owners of the Company	46,862	4,867	172,450	12,858
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	4,414,905,000	3,347,550,000	3,843,354,000	3,347,550,000

The weighted average number of ordinary shares for the basic earnings per share of three months and nine months ended 30 September 2015 and 2014 are adjusted by the bonus element in the rights issue completed on 9 September 2015.

The diluted earnings per share for the three months and nine months ended 30 September 2015 and 2014 are the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

8. DIVIDEND

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Dividend	–	–	900	900

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 and 2014.

During the nine months ended 30 September 2015, interim dividends amounting to HK\$900,000 (2014: HK\$900,000) was paid by a non-wholly owned subsidiary of the Company, to its minority shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's third quarterly results for the nine months ended 30 September 2015.

Business Review

Catering

Chinese restaurants operation

The Group maintains a business philosophy of offering high quality cuisine at highly affordable prices. It is committed to providing memorable dining experiences to its customers by delivering delightfully prepared food, outstanding menu choices and a tastefully designed dining environment.

As at 30 September 2015, we are operating nine restaurants under three brands and their performances are outlined below.

Red Seasons Aroma Restaurant (“Red Seasons”)

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Many customers have found the allure of Red Seasons irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns. During the nine months ended 30 September 2015, the Red Seasons restaurants recorded a drop in revenue of around 5% to approximately HK\$170,207,000 as compared to the last corresponding period.

Plentiful Delight Banquet Restaurant (“Plentiful Delight Banquet”)

The second brand established by the Group, Plentiful Delight Banquet serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet is ideal for large-scale events up to 1,200 guests on a single occasion. During the nine months ended 30 September 2015, Plentiful Delight Banquet recorded revenue of approximately HK\$59,230,000, a drop of approximately 12% as compared to the last corresponding period.

Red Royalty Banquet Restaurant (“Red Royalty”)

Red Royalty provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty's scale of operations is the largest within the Group's existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion.





During the nine months ended 30 September 2015, Red Royalty generated revenue of approximately HK\$51,546,000. Revenue from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty amounted to approximately HK\$110,776,000, which was a drop of approximately 5% as compared to the last corresponding period.

Lucky Dessert

The Group started its expansion and completed the acquisition of 49% equity interest in an associate principally engaging in dessert catering business under the trademarks of “Lucky Dessert 發記甜品” in the PRC, on 29 April 2015. The operation of the Group’s first dessert catering restaurant in Tianjin, PRC commenced in May 2015 and has generated revenue over RMB1 million up to 30 September 2015.

Food products operation

The food products operation represents the production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to around 60 concessionaire stores in major supermarket chains in Hong Kong. These food products are mainly prepared in its food processing factory located at Tsuen Wan.

During the nine months ended 30 September 2015, the food products operation generated revenue of approximately HK\$65,970,000.

Securities investment business

During the nine months ended 30 September 2015, the Group actively developed its securities investment business and invested various equity securities, debt securities and funds listed in Hong Kong and overseas. The Group also invested in certain unlisted funds. The total investment amounted to approximately HK\$107,694,000 during the nine months ended 30 September 2015.

During the nine months ended 30 September 2015, the Group recorded a realized loss of approximately HK\$237,000 and an unrealized fair value gain of approximately HK\$216,594,000 in its financial assets at FVTPL. The financial assets at FVTPL held by the Group as at 30 September 2015 were valued at approximately HK\$422,190,000.





The Group will continue to be cautious in making new investments and trading of its financial assets under current economic fluctuation in Europe and the worldwide ongoing quantum ease atmosphere, and is aimed to maintain and grow its portfolio value in future.

Money lending business

Since June 2015, the Group commenced the money lending business in Hong Kong through the provision of unsecured and secured loans to customers.

On 19 June 2015, the Group entered into a loan agreement with a group of three borrowers (the “Borrowers”), pursuant to which the Group agreed to grant to the Borrowers, the independent third parties, a loan facility up to HK\$32,000,000, bearing interest at a rate of 8% per annum, for a period of 12 months from 19 June 2015. The loan is secured by a first legal mortgage in respect of a commercial property located in Shatin, New Territories jointly owned by the two borrowers of the group. Details of the loan and the provision of financial assistance to the Borrowers are set out in the Company’s announcement on 19 June 2015.

On 16 October 2015, the Group entered into a loan facility agreement with a borrower (the “Borrower”), pursuant to which the Group agreed to grant to the Borrower, an independent third party, a loan facility of HK\$60,000,000, bearing interest at a rate of 3% per annum, for a period of 36 months from 16 October 2015. The loan facility is secured by a first legal mortgage in respect of a residential property located in Sheung Wan, Hong Kong owned by the Borrower. Details of the loan and the provision of financial assistance to the Borrower are set out in the Company’s announcement dated 16 October 2015.

During the nine months ended 30 September 2015, the money leading business generated revenue of approximately HK\$1,495,000. It is expected that the money lending business will have a steady growth and will continuously contribute to the Group in future.





Financial Review

During the nine months ended 30 September 2015, the Group's revenue amounted to approximately HK\$349,419,000, representing a slight increase of approximately 1% as compared to the last corresponding period. The catering services operation recorded a drop of 9% in revenue to approximately HK\$280,983,000. However, the negative impact was diminished by (i) the food products operation, with its revenue fully accounted in the Third Quarterly Financial Statements for the nine months ended 30 September 2015 while it only accounted for five months in last corresponding period after its acquisition on 1 May 2014; and (ii) the interest income of approximately HK\$1,495,000 generated from the money lending business segment.

Profit attributable to owners of the Company rose to HK\$172,450,000, a significant increase of 1,241% as compared to last corresponding period. Such increment was mainly due to (i) the unrealized fair value gain from financial assets at FVTPL, amounting to HK\$180,117,000 (net of tax); and (ii) the share of profit of an associate of approximately HK\$11,953,000 during the nine months ended 30 September 2015.

After deducting the effect of abovementioned gains from financial assets at FVTPL and the share of profit from an associate, loss attributable to owners of the Company was amounted to approximately HK\$19,620,000. Such loss was mainly derived from (i) the deteriorated Chinese restaurant results due to the increase in food costs, rental expenses and staff costs; (ii) the underperformance of the Hong Kong Island Red Seasons; (iii) the impairment losses on property, plant and equipment from the loss making Hong Kong Island Red Seasons of approximately HK\$6,294,000; and (iv) the fair value change of the contingent consideration payable of approximately HK\$1,844,000.

The cost of inventories consumed for the nine months ended 30 September 2015 amounted to approximately HK\$112,394,000 (2014: HK\$111,215,000). The cost of inventories consumed was approximately 32% of the Group's revenue from catering services and food products operation during the period (2014: 32%). The Group keeps on bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing.

Employee benefits expenses were approximately HK\$122,678,000 (2014: HK\$112,481,000). The increment was mainly due to the abovementioned factors of the food products operation and the wage adjustments to retain experienced staff under the inflationary environment during the nine months ended 30 September 2015. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.



The operating lease rentals and related expenses for the nine months ended 30 September 2015 amounted to approximately HK\$36,596,000, representing an increase of approximately 6% as compared to the last corresponding period. The increase was mainly due to (i) the increase in rental charge in Shatin Red Seasons after the renewal of tenancy; and (ii) the increase in building management fee of certain restaurant properties of the Group. To have a better control the operating lease rentals and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Outlook and prospects

Looking ahead, the management takes a cautious view for 2015. Given the uncertainties in the global economy, the weakening consumer sentiment and deteriorating political polarization in Hong Kong, the management anticipates the retail environment will be very challenging.

The management is committed to bolster the customer base. As traditional Chinese restaurants require intensive initial capital expenditure and relatively large space for operation, the management adjusts its restaurant expansion strategy. The Group will focus on the establishment of smaller Chinese restaurants. The Group continues to search for suitable sites with high traffic flow and reasonable rentals for expansion. Meanwhile, the Group is also continuously developing appetising specialty dishes as well as providing better quality services to customers so as to solidify the Group's market position.

The Group is proactively monitoring the rising food costs, labour costs and rental expenses in order to raise the operational efficiencies.

With the view to expand the source of income and prospects of the Group, the Group will explore the opportunities to further develop its dessert catering business in the PRC and Asia Pacific area.

The Group has already started the operation of its second “Lucky Dessert 發記甜品” restaurant in Hedong District, Tianjin, the PRC in November 2015. The Group is also in the progress of negotiating with different potential franchisees for expanding its dessert catering business to other areas of the PRC. With the intention to expand the dessert catering business of the Group to Singapore, on 9 June 2015, the Group entered into the memorandum of understanding, as purchaser, with Mr. Wong Yat Cheung and Mr. Wong Yat Tung as vendors, for acquiring the entire issued share capital of a company to be incorporated in the British Virgin Islands (the “BVI”) with limited liability, which will have the exclusive right to use the trademark “Lucky Dessert 發記甜品” in Singapore and will have the exclusive franchise right of setting up and operating certain dessert catering restaurants under the said trademark in Singapore.





The management will actively seek for (i) investment opportunities in the capital market in order to enhance the financial position and earnings of the Group; and (ii) possible opportunities to develop the money lending business and expand the customer base by providing a more comprehensive range of loan products.

Liquidity, Financial and Capital Resources

Capital structure

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remained unchanged from prior year.

The capital structure of the Group consists of secured bank borrowings, net of pledged bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts.

Cash position

As at 30 September 2015, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$222,976,000 (31 December 2014: approximately HK\$69,300,000).

The pledged bank deposits of approximately HK\$5,031,000 as at 30 September 2015 and HK\$5,005,000 as at 31 December 2014 were pledged to banks for the banking facilities of the Group.



Bank borrowings and charges on the Group's assets

	As at 30 September 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Mortgage loan, repayable on demand	1,927	2,132
Instalment loans, repayable on demand	2,277	3,327
Bank loans	21,804	2,418
Bank overdrafts	4,625	5,245
	30,633	13,122

The facility agreements of mortgage loan and instalment loans contain repayment on demand clauses pursuant to which the banks can at their discretion demand repayment of the entire outstanding balances from the Group in the absence of any defaults.

The following table presents the contractual maturity of the banks borrowings that are repayable on demand:

	Mortgage loan	Instalment loans	
Carrying amount (<i>HK\$'000</i>)			
– 30 September 2015 (Unaudited)	1,927	860	1,417
– 31 December 2014 (Audited)	2,132	1,161	2,166
Contractual instalments	120	60	36
Outstanding instalments			
– 30 September 2015	75	24	17
– 31 December 2014	84	33	26

Mortgage loan carries interest at Hong Kong Prime Rate (“Prime Rate”) less 1.75% (2014: Prime Rate less 1.75%) per annum.

Instalment loans carry interest at Prime Rate to Prime Rate plus 0.5% (2014: Prime Rate to Prime Rate plus 0.5%) per annum.



Bank overdrafts carry interest at Prime Rate plus a margin ranging from 0.5% to 2% (2014: Prime Rate plus a margin ranging from 0.5% to 2%) per annum.

Bank loans carry interest at Prime Rate or based rate set by the bank plus a margin, with the effective interest rate ranging from 1.925% to 5.50% (2014: Prime Rate plus 0.25%) per annum.

The effective interest rate at the end of the reporting period is as follows:

	As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Instalment loans	5% to 5.75%	5% to 5.75%
Bank overdrafts	5.5% to 7.25%	5.5% to 7.25%
Bank loans	1.925% to 5.50%	5.75%
Mortgage loan	3.5%	3.5%

As at 30 September 2015, the Group had aggregate banking facilities of approximately HK\$52,292,000 (31 December 2014: HK\$14,798,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$20,344,000 (31 December 2014: HK\$980,000). These facilities were secured by:

- (a) The Group's pledged bank deposits amounting to approximately HK\$5,031,000 (31 December 2014: HK\$5,005,000) as at 30 September 2015;
- (b) The Group's financial assets at FVTPL amounting to approximately HK\$55,357,000 (31 December 2014: Nil) as at 30 September 2015;
- (c) Leasehold land and building with a carrying amount of approximately HK\$5,630,000 (31 December 2014: HK\$5,717,000) as at 30 September 2015;
- (d) Guarantee from Hong Kong Mortgage Corporation Limited and the government of Hong Kong Special Administrative Region; and
- (e) Unlimited guarantees from non-controlling shareholder and directors of a subsidiary.

In additions, certain business credit cards were guaranteed by Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the Directors and a non-controlling interest, to the extent of HK\$138,000 (31 December 2014: HK\$138,000) in aggregate.



Gearing ratio

Gearing ratio is calculated as net debt (secured bank borrowings less pledged bank deposits, bank balances and cash) divided by the total of net debt and total equity.

Gearing ratio was not applicable to the Group as at 30 September 2015 and 31 December 2014 as the Group's bank balances and cash are larger than its bank borrowings.

Exchange Rate Exposure

Since Hong Kong dollars and Renminbi are the main currencies of the Group to carry out its business transactions, the Group is not exposed to significant foreign exchange exposure.

Dividend

Details of the dividend are set out in the Note 8 to the Third Quarterly Financial Statements.

Significant Investment Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

Saved as the acquisition of Brilliant Forever disclosed in the Company's interim report for the six months ended 30 June 2015 (the "2015 Interim Report"), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 30 September 2015.

Saved as disclosed in the 2015 Interim Report, the Company's announcements dated 15 July 2015, 24 July 2015, 6 August 2015, 13 August 2015, 8 September 2015 and prospectus dated 18 August 2015 and elsewhere in this report, there is no plan for material investments or capital assets as at 30 September 2015.





SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting of the Company held on 9 December 2011, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants who had made contribution to the Group as well as providing incentives in retaining the Group's existing employees and recruiting additional employees in attaining the long term objectives of the Group.

Subject to the terms of the Share Option Scheme, the Directors may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any Director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries, (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 9 December 2011 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total issued shares unless (i) a shareholders' circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.





The exercise price of the option shares granted under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 9 December 2011 unless terminated by the Group.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

No share options were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 30 September 2015 (2014: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2015, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:



Long Positions in shares and underlying shares of the Company

Name of Directors	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong Kwan Mo (<i>Note</i>)	Interest in controlled corporation	1,728,108,000	30%
Ms. Lau Lan Ying (<i>Note</i>)	Interest in controlled corporation	1,728,108,000	30%

Note:

1,353,108,000 and 375,000,000 shares are owned by KMW Investments Limited (“KMW”) and Strong Light Investments Limited (“Strong Light”) respectively. KMW and Strong Light are companies incorporated in the BVI and Hong Kong respectively. The entire issued share capital of KMW and Strong Light are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.

Saved as disclosed above, as at 30 September 2015, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2015, other than the Directors and chief executives of the Company whose interests and short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long positions in shares and underlying shares of the Company

Name	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW (<i>Note</i>)	Beneficial owner	1,353,108,000	23%
Strong Light (<i>Note</i>)	Beneficial owner	375,000,000	7%
Cheng Wan Gi	Beneficial owner	421,920,000	7%

Note:

1,353,108,000 and 375,000,000 shares are owned by KMW and Strong Light respectively. KMW and Strong Light are companies incorporated in the BVI and Hong Kong respectively. The entire issued share capital of KMW and Strong Light are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.





Saved as disclosed above, as at 30 September 2015, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and chief executives’ interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations” above, at no time during the nine months ended 30 September 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the nine months ended 30 September 2015.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS

None of the Directors, their respective associates and the controlling shareholders were interested in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group or had any other conflicts with the Group during the nine months ended 30 September 2015.





AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 30 September 2015, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Kwan Wai Yin, William, Mr. Li Fu Yeung and Ms. Chiu Man Yee. Mr. Li Fu Yeung is the chairman of the audit committee.

The audit committee had reviewed the Third Quarterly Financial Statements for the nine months ended 30 September 2015 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Food Idea Holdings Limited
Wong Kwan Mo
Chairman and executive Director

Hong Kong, 13 November 2015

As at the date of this report, the Board comprises Mr. Wong Kwan Mo; Ms. Lau Lan Ying and Mr. Yu Ka Ho as executive Directors, and Kwan Wai Yin William, Mr. Li Fu Yeung and Ms. Chiu Man Yee as independent non-executive Directors.

