

新雀意控股有限公司
Food Idea Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8179



2016

First Quarterly Report



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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

Independent non-executive Directors

Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William
Mr. Tam Lok Hang
(appointed on 7 January 2016)
Ms. Chiu Man Yee
(resigned on 7 January 2016)

Compliance Officer

Ms. Lau Lan Ying

Authorised 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*)
Mr. Kwan Wai Yin, William
Mr. Tam Lok Hang
(appointed on 7 January 2016)
Ms. Chiu Man Yee
(resigned on 7 January 2016)

Remuneration Committee Members

Mr. Tam Lok Hang (*Chairman*)
(appointed on 7 January 2016)
Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William
Ms. Chiu Man Yee
(resigned on 7 January 2016)

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Mr. Kwan Wai Yin, William
Mr. Tam Lok Hang
(appointed on 7 January 2016)
Ms. Chiu Man Yee
(resigned on 7 January 2016)

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Adviser to the Company

Michael Li & Co.

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Registered Office

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

Head Office, Headquarter 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 Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

Company Website

www.foodidea.com.hk

GEM Stock Code

8179



HIGHLIGHTS

- The Group's revenue for the three months ended 31 March 2016 decreased by approximately 8% to approximately HK\$120,176,000 (2015: HK\$130,369,000).
- Profit attributable to the owners of the Company for the three months ended 31 March 2016 amounted to approximately HK\$35,080,000 (Loss attributable to the owners of the Company for the three months ended 31 March 2015: HK\$8,279,000).
- Basic earnings per share for the three months ended 31 March 2016 was approximately HK0.54 cents (Basic loss per share for the three months ended 31 March 2015: HK0.25 cents (restated)).

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 ended 31 March 2016 (the “First Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:

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

For the three months ended 31 March 2016

	Notes	For the three months ended 31 March	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	120,176	130,369
Other income		204	102
Cost of inventories consumed		(34,983)	(41,770)
Employee benefits expenses		(42,466)	(43,723)
Depreciation		(4,376)	(5,436)
Amortisation		(45)	–
Operating lease rentals and related expenses		(13,197)	(12,017)
Utilities expenses		(6,257)	(7,149)
Impairment losses of property, plant and equipment		(2,731)	–
Gain (loss) on fair value change of financial assets at fair value through profit or loss		51,704	(14,065)
Loss on fair value of contingent consideration payable		(1,220)	–
Other operating expenses		(18,188)	(15,141)
Share of loss of an associate		(1,608)	–
Finance costs	4	(227)	(202)
Profit (loss) before tax	5	46,786	(9,032)
Income tax (expenses) credit	6	(11,558)	888
Profit (loss) for the period		35,228	(8,144)

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

For the three months ended 31 March 2016

	For the three months ended 31 March	
Note	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	6	2
Share of foreign currency translation reserve of an associate	660	–
	666	2
Total comprehensive income (expenses) for the period	35,894	(8,142)
Profit (loss) for the period attributable to:		
Owners of the Company	35,080	(8,279)
Non-controlling interests	148	135
	35,228	(8,144)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	35,746	(8,277)
Non-controlling interests	148	135
	35,894	(8,142)
Earnings (loss) per share:		
Basic and diluted (<i>HK cents</i>)	0.54	(0.25)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2016

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 Note (i)	Other reserve HK\$'000 Note (ii)	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2016	6,528	397,701	106	(1,154)	(6,330)	227,111	623,962	2,437	626,399
Profit for the period	-	-	-	-	-	35,080	35,080	148	35,228
Other comprehensive income for the period									
Exchange difference on translation of foreign operations	-	-	-	-	6	-	6	-	6
Share of foreign currency translation reserve of an associate	-	-	-	-	660	-	660	-	660
Total comprehensive income for the period	-	-	-	-	666	35,080	35,746	148	35,894
Balance at 31 March 2016	6,528	397,701	106	(1,154)	(5,664)	262,191	659,708	2,585	662,293
Balance at 1 January 2015	3,200	65,421	106	(972)	(6)	136,862	204,611	1,167	205,778
Loss for the period	-	-	-	-	-	(8,279)	(8,279)	135	(8,144)
Other comprehensive income for the period									
Exchange difference on translation of foreign operation	-	-	-	-	2	-	2	-	2
Total comprehensive income (expenses) for the period	-	-	-	-	2	(8,279)	(8,277)	135	(8,142)
Issue of new shares	160	19,840	-	-	-	-	20,000	-	20,000
Transaction costs attributable to issue new shares	-	(491)	-	-	-	-	(491)	-	(491)
Dividends (Note 8)	-	-	-	-	-	-	-	(900)	(900)
Balance at 31 March 2015	3,360	84,770	106	(972)	(4)	128,583	215,843	402	216,245

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, capital contributions from non-controlling interests and share of other reserve of an associate.



NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2016

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 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong.

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) productions, 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 First 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 First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2015 (the "2015 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 2016. 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 First 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 2015 Annual Report.

The First Quarterly Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. The First 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 (“CODM”), 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 CODM 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 a chain of restaurants.
- (ii) Food products operation – The production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei.
- (iii) Investments – Investment in securities.
- (iv) Money lending – The provision of money lending business.

Segment turnover and results

Segment turnover represents revenue derived from the provision of catering services, sales of food products, 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, interest income from loan to an associate, central administrative costs, directors’ emoluments, loss on fair value of contingent consideration payable, share of loss of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessments.

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 three months ended 31 March

	Catering services		Food products operation		Investments		Money lending		Elimination		Consolidated	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)										
SEGMENT TURNOVER	93,739	109,511	23,322	20,858	820	-	2,354	-	(59)	-	120,176	130,369
Revenue from external customers	93,739	109,511	23,322	20,858	820	-	2,354	-	(59)	-	120,176	130,369
Segment result	1,875	6,079	696	60	52,524	(14,065)	2,061	-	-	-	57,156	(7,926)
Unallocated income											45	48
Unallocated corporate expenses											(7,360)	(952)
Loss on fair value of contingent consideration payable	(1,220)	-	-	-	-	-	-	-	-	-	(1,220)	-
Share of loss of an associate	(1,608)	-	-	-	-	-	-	-	-	-	(1,608)	-
Finance costs											(227)	(202)
Profit (loss) before tax											46,786	(9,032)

Geographical information

No geographical information is presented as all revenue from external customers of the Group are derived from Hong Kong during the three months ended 31 March 2016 and 2015.

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the three months ended 31 March 2016 and 2015.

4. FINANCE COSTS

For the three months ended 31 March

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interests on borrowings	176	153
Unwinding of discount on provision for reinstatement costs	51	49
	227	202

5. PROFIT (LOSS) BEFORE TAX

	For the three months ended 31 March	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit (loss) before tax is stated after charging the following:		
Operating lease rentals in respect of rented premises	11,113	9,799

6. INCOME TAX EXPENSES (CREDIT)

	For the three months ended 31 March	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current income tax	1,417	1,557
Deferred income tax	10,141	(2,445)
	11,558	(888)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 since the subsidiaries in the PRC did not derive any assessable profits for both periods.

The deferred tax expenses (credit) represent mainly the temporary differences in relation to the unrealised fair value change on financial assets at FVTPL for both periods. The Group did not recognise deferred tax assets in respect of certain tax losses and deductible temporary differences due to the unpredictability of future profit stream.

7. EARNINGS (LOSS) PER SHARE

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

	For the three months ended 31 March	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings per share, being profit (loss) for the period attributable to the owners of the Company	35,080	(8,279)
	<hr/> <hr/>	
	For the three months ended 31 March	
	2016	2015 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	6,528,000,000	3,356,849,000
	<hr/> <hr/>	

The weighted average number of ordinary shares for the basic loss per share for the three months ended 31 March 2015 has been adjusted by the bonus element in the rights issue completed on 9 September 2015.

The diluted earnings (loss) per share for the three months ended 31 March 2016 and 2015 are the same as basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the periods.

8. DIVIDENDS

During the three months ended 31 March 2015, interim dividends amounting to HK\$900,000 was paid by a non-wholly owned subsidiary of the Company to its minority shareholders.

No dividends were paid or proposed during the three months ended 31 March 2016 nor has any dividends been proposed since the end of the reporting period (2015: Nil).

9. SUBSEQUENT EVENTS

Financial assets at FVTPL

Subsequent to the end of the reporting period and up to the date of the publication of this report, there was a significant fluctuation in the fair values of the equity securities.



MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2016.

Business Review

The Group's principal activities during the period were (i) catering services; (ii) productions, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investments in securities; and (iv) money lending business.

Catering services

The Group follows 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 deliciously prepared food, outstanding menu choices and a tastefully designed dining environment. Since the Chinese restaurant business was adversely affected by the unfavorable market conditions in Hong Kong, its performance deteriorated. As at 31 March 2016, we are operating eight 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 period under review, the revenue of Red Seasons decreased by around 17% to approximately HK\$54,507,000 (2015: HK\$65,402,000).



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 period under review, Plentiful Delight Banquet recorded a drop in revenue of approximately 14% to HK\$20,358,000 (2015: HK\$23,616,000).

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 period under view, Red Royalty generated revenue of approximately HK\$18,874,000 (2015: HK\$20,493,000). Revenue from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty decreased by approximately 11% as compared to last corresponding period.

Food products operation

The food products operation represents production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei to major supermarket chains. The Group operated a food processing factory in Tsuen Wan and over 70 concessionaire stores in Hong Kong. The food products operation extends the geographical reach of our food products. The Group can reach out to additional customers in local supermarkets and achieve economies of scale through the bulk purchases from the suppliers.

During the period under review, the food products operation recorded revenue of approximately HK\$23,322,000 (2015: approximately HK\$20,858,000) with a segment profit of approximately HK\$696,000 (2015: HK\$60,000).

Securities investment business

As at 31 March 2016, the Group had a portfolio of securities investment of approximately HK\$478,960,000 and approximately HK\$417,975,000 of which were equity securities listed in Hong Kong. During the period under review, the Group recorded a net unrealised gain of approximately HK\$51,704,000 (2015: unrealised loss of HK\$14,065,000) in its entire securities investment.

Details of the investments and unrealised fair value change of equity securities listed in Hong Kong are as follows:

Company name/Stock code	At 31 March 2016				At 31 March 2015			
	% of shareholding of the respective shares	Change on fair value for 3 months HK\$'000	Fair value as at 31 March 2016 HK\$'000	% to the total assets of the Group	% of shareholding of the respective shares	Change on fair value for 3 months HK\$'000	Fair value as at 31 Mar 2015 HK\$'000	% to the total assets of the Group
L & A International Holdings Limited (8195) ("L&A")	2.62%	61,926	335,872	37.34%	2.62%	(14,065)	85,647	29.41%
GreaterChina Professional Services Limited (8193)	0.68%	(3,960)	21,120	2.35%	-	-	-	-
China Construction Bank Corporation (939)	0.00%	(464)	14,954	1.66%	-	-	-	-
China Environmental Energy Investment Limited (986)	1.82%	3,672	12,852	1.43%	-	-	-	-
Major Holdings Limited (1389)	0.39%	(1,850)	12,395	1.38%	-	-	-	-
China 33 Media Group Limited (8087)	0.83%	1,248	6,240	0.69%	-	-	-	-
China Properties Investment Holdings Limited (736)	2.10%	(5,508)	5,610	0.62%	-	-	-	-
Hong Kong Exchanges and Clearing Limited (388)	0.00%	(209)	3,330	0.37%	-	-	-	-
China Life Insurance Company Limited (2628)	0.00%	(993)	3,215	0.36%	-	-	-	-
China Jicheng Holdings Limited (1027)	0.01%	(360)	2,380	0.26%	-	-	-	-
Huatai Securities Co., Ltd. (6886)	0.00%	-	7	0.00%	-	-	-	-
Total		53,502	417,975			(14,065)	85,647	



Up to 31 March 2015, the investment in equity securities listed in Hong Kong included only L&A shares. As the share price of L&A dropped, there was an unrealised loss on fair value change of financial assets at FVTPL of approximately HK\$14,065,000 during the three months ended 31 March 2015.

As at 31 March 2016, the equity investment portfolio was enlarged and diversified, with L&A shares being the main investment. The share price of L&A increased steadily from December 2015 to March 2016. As a result, an unrealised gain on fair value change of L&A shares amounted to approximately HK\$61,926,000 was recorded during the three months ended 31 March 2016.

The Group's investment portfolio is subject to the volatility of the market. The management will cut losses on certain investments which will be in vulnerable position and keep those which will be better performed in this financial environment. We will continue to monitor the existing portfolio closely to maximise the return prospect for our investments.

Money lending business

Since the commencement of the money lending business in June 2015, the Group's money lending business has grown in a rapid pace. During the period under review, it had generated interest income of approximately HK\$2,295,000 (net of inter segment elimination) and recorded a segment profit of approximately HK\$2,061,000.

On 19 June 2015, the Group entered into a loan agreement with a group of three borrowers, pursuant to which the Group agreed to grant to them, 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 are set out in the Company's announcement on 19 June 2015.

An aggregate loan of approximately HK\$257 million with effective interest rate ranging from 3% to 24% per annum had been built up by Group up to 31 March 2016, of which approximately HK\$106 million was repaid by its customers. As at 31 March 2016, the outstanding loan receivables of the Group amounted to approximately HK\$151 million. All loans advanced by the Group are either secured by mortgages, legal charges over listed securities or debentures issued by company listed in Hong Kong or secured by personal guarantee.

Dessert catering business

During the period under review, the Group continued its expansion of the dessert catering business in the PRC.

The Group currently has 3 self-operating dessert catering restaurants in Tianjin and will grant the licence right to an operator to set up and operate a new dessert catering restaurant under the trademark of Lucky Dessert in Tianjin in May 2016.

During the three months ended 31 March 2016, Lucky Dessert in the PRC has generated revenue of approximately RMB2 million.

Financial Review

During the three months ended 31 March 2016, the Group's revenue amounted to approximately HK\$120,176,000 which was approximately 8% lower than that of the last corresponding period. The revenue from the catering services recorded a drop from approximately HK\$109,511,000 for the three months ended 31 March 2015 to approximately HK\$93,739,000 for the three months ended 31 March 2016. The negative impact was diminished by (i) the rise in revenue from food products operation from approximately HK\$20,858,000 for the three months ended 31 March 2015 to approximately HK\$23,322,000 for the three months ended 31 March 2016; and (ii) the interest income of approximately HK\$2,295,000 (net of inter segment elimination) generated from the money lending business segment during the three months ended 31 March 2016.

Profit attributable to the owners of the Company rose to approximately HK\$35,080,000, a significant increase when compared with loss of approximately HK\$8,279,000 in last corresponding period. Such increase was mainly attributable to the unrealised gain from financial assets at FVTPL amounting to approximately HK\$41,563,000 (net of profits tax of approximately HK\$10,141,000).



After eliminating the abovementioned effect, there was a loss attributable to owners of the Company amounted to approximately HK\$6,483,000. Such loss was mainly due to (i) the lackluster performance from Chinese restaurant operations in Hong Kong; (ii) the impairment losses on property, plant and equipment from the closure of Sai Wan Red Seasons in March 2016 of approximately HK\$2,731,000; (iii) share of loss of an associate of approximately HK\$1,608,000; (iv) a change in fair value of contingent consideration payable of approximately HK\$1,220,000 and (v) the increment of other operating expenses.

The cost of inventories consumed for the three months ended 31 March 2016 amounted to approximately HK\$34,983,000 (2015: HK\$41,770,000). The cost of inventories consumed was approximately 30% (2015: 32%) of the Group's revenue on catering services and food products operation businesses during the period under review. The Group will keep the strategy 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\$42,466,000 (2015: HK\$43,723,000). The slight decrease was mainly due to the closure of Sai Wan Red Seasons in March 2016 and the decrease in the discretionary bonus in the underperformed Chinese restaurants for the three months ended 31 March 2016. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the three months ended 31 March 2016 amounted to approximately HK\$13,197,000 (2015: HK\$12,017,000), representing an increase of approximately 10% as compared to last corresponding period. To have a better control of 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 Board takes a cautious view for 2016. The management anticipates the retail environment will be very challenging. The Group is proactively monitoring the rising food costs, labour costs and rental expenses in order to raise the operational efficiencies of the Group's catering services and food products operation.

The management strives to diversify the Group's existing business and broaden its source of income. The Group will actively seek for opportunities to expand its money lending business.



The Group has been approached by potential franchisees of the trademark “Lucky Dessert” for running the dessert catering business in the PRC such as Beijing, Shanghai, Xi An and Singapore. The Group will explore opportunities to further develop its dessert catering business.

The Group maintains a conservative approach on its investment portfolio. The management will monitor the risk exposure regularly and adjust the portfolio when necessary, while selectively choose those stocks with the most balanced risk and return potential.

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 borrowings, net of pledged bank deposits, and 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 31 March 2016, the carrying amount of the Group’s unpledged bank balances and cash was approximately HK\$61,208,000 (31 December 2015: approximately HK\$96,654,000).

The pledged bank deposits of approximately HK\$3,531,000 as at 31 December 2015 and HK\$3,532,000 as at 31 March 2016 were pledged to banks for the banking facilities of the Group.

Borrowings and charges on the Group's assets

	As at 31 March 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Mortgage loan, repayable on demand	1,788	1,858
Instalment loan, repayable on demand	916	1,166
Bank loans	30,579	30,848
Bank overdrafts	484	497
Secured bank borrowings	33,767	34,369
Unsecured other borrowing	1,400	1,400
	35,167	35,769

The facility agreements of mortgage loan and instalment loan 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 loan
Carrying amount (<i>HK\$'000</i>)		
– 31 March 2016 (<i>Unaudited</i>)	1,788	916
– 31 December 2015 (<i>Audited</i>)	1,858	1,166
Contractual instalments	120	36
Outstanding instalments		
– 31 March 2016	69	11
– 31 December 2015	72	14

Mortgage loan carries interest at Hong Kong Prime Rate ("Prime Rate") less 1.75% (2015: Prime Rate less 1.75%) per annum.

Instalment loan carries interest at Prime Rate plus 0.5% (2015: Prime Rate to Prime Rate plus 0.5%) per annum.

Bank loans carry interest at Prime Rate/ base rate (“Base Rate”) set up by the bank plus 0.25% to 1.25% (2015: Prime Rate/ Base Rate plus 0.25% to 1.25%) per annum.

Bank overdrafts carry interest at Prime Rate/ Base Rate plus 2% (2015: Prime Rate plus a margin, ranging from 0.5% to 2%) per annum.

The unsecured other borrowing was due to a non-controlling interest, carries interest at a fixed rate of 6% per annum and repayable on 16 November 2016.

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

	As at 31 March 2016 (Unaudited)	As at 31 December 2015 (Audited)
Instalment loan	5.75%	5.75%
Bank overdrafts	7.25%	7.25%
Bank loans	1.661% to 6%	1.686% to 6%
Mortgage loan	3.5%	3.5%
Unsecured other borrowing	6%	6%

As at 31 March 2016, the Group had aggregate banking facilities of approximately HK\$48,191,000 (31 December 2015: HK\$48,510,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$11,580,000 (31 December 2015: HK\$11,299,000). These facilities were secured by:

- (a) The Group’s pledged bank deposits amounting to approximately HK\$3,532,000 (31 December 2015: HK\$3,531,000) as at 31 March 2016;
- (b) The Group’s financial assets at FVTPL amounting to approximately HK\$66,457,000 (31 December 2015: HK\$55,357,000) as at 31 March 2016;
- (c) Leasehold land and building with a carrying amount of approximately HK\$5,528,000 (31 December 2015: HK\$5,564,000) as at 31 March 2016;
- (d) Guarantee from Hong Kong Mortgage Corporation Limited and the government of Hong Kong Special Administrative Region; and
- (e) Unlimited guarantees from a non-controlling shareholder and a director of a subsidiary.

In addition, certain business credit cards were guaranteed by Mr. Wong Kwan Mo (“Mr. Wong”) and Ms. Lau Lan Ying (“Ms. Lau”), the Directors and a non-controlling interest, to the extent of HK\$136,000 (31 December 2015: HK\$136,000) in aggregate.

Gearing ratio

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

Gearing ratios are not applicable to the Group as at 31 December 2015 and 31 March 2016 as the Group's bank balances and cash are more than its borrowings.

Dividends

Details of the dividends are set out in Note 8 to the First Quarterly Financial Statements.

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

On 10 March 2016, the Company, as vendor, entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to dispose of the Chinese restaurant operation through the disposal of the entire issued share capital of GR Holdings Limited ("GR Holdings"), a direct wholly owned subsidiary of the Company, and all the liabilities, obligations and indebtedness due by GR Holdings to the Group at the preliminary consideration of HK\$49 million (subject to adjustment) payable in cash (the "Disposal") to Mr. Wong and Ms. Lau, the executive Directors, which constituted as a very substantial transaction of the Company.

The completion of the Disposal is conditional upon satisfaction of certain conditions precedent, including the passing by the independent shareholders of the Company at an extraordinary general meeting to be convened and held of an ordinary resolution to approve the sale and purchase agreement and the transactions. Upon completion, the Company will not hold any interest in the existing Chinese restaurant operation. Details of the Disposal are set out in the Company's announcements dated 10 March 2016, 22 April 2016 and 6 May 2016.

Save as the above and financial assets at FVTPL as disclosed elsewhere in this First Quarterly Financial Statements of the Company, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 31 March 2016.

Save as disclosed elsewhere in this First Quarterly Financial Statements, there is no plan for material investments or capital assets as at 31 March 2016.

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

As at 31 March 2016, the interests or short positions of the Directors and the chief executive 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 Future Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to Rule 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:

Long Positions in the Company

Name of Directors	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong (<i>Note</i>)	Interest in controlled corporation	1,528,116,000	23.41%
Ms. Lau (<i>Note</i>)	Interest in controlled corporation	1,528,116,000	23.41%

Note:

1,153,116,000 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 British Virgin Islands ("BVI") and Hong Kong respectively. The entire issued share capital of KMW and Strong Light are beneficially owned as to 50% by Mr. Wong and 50% by Ms. Lau.

Saved as disclosed above, as at 31 March 2016, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in 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 31 March 2016, other than the Directors or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following persons have interests or short positions 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	1,153,116,000	17.66%
Strong Light (<i>Note</i>)	Beneficial owner	375,000,000	5.75%

Note:

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 and 50% by Ms. Lau.

Saved as disclosed above, as at 31 March 2016, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed “Directors’ and chief executive’s 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” in 2015 Annual Report and “Directors’ and chief executive’s interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations” above, at no time during the three months ended 31 March 2016 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 executive 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 three months ended 31 March 2016.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors, their respective associates and the controlling shareholders of the Company was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the three months ended 31 March 2016 or as at 31 March 2016.

AUDIT COMMITTEE

The Company established an audit committee ("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. On 30 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. 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 31 March 2016, the Audit Committee consists of three members, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang. Mr. Li Fu Yeung is the chairman of the Audit Committee.



The Audit Committee had reviewed the unaudited First Quarterly Financial Statements for the three months ended 31 March 2016 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 May 2016

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 Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang as independent non-executive Directors.