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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Food Idea Holdings Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

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# 新煮意控股有限公司 FOOD IDEA HOLDINGS LIMITED

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

## (I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; (II) SHARE CONSOLIDATION; (III) CHANGE IN BOARD LOT SIZE; AND NOTICE OF EGM

Financial adviser to the Company



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

VEDA | CAPITAL  
智 略 資 本

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 30 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 31 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 52 of this circular.

A notice convening the EGM to be held on Monday, 27 June 2016 at 11:30 a.m. at Unit R2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the meeting is enclosed.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at <http://www.foodidea.com.hk>.

20 May 2016

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## CHARACTERISTICS OF GEM

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## CONTENTS

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	<i>Page</i>
<b>CHARACTERISTICS OF GEM</b> .....	<b>i</b>
<b>DEFINITIONS</b> .....	<b>1</b>
<b>EXPECTED TIMETABLE</b> .....	<b>6</b>
<b>LETTER FROM THE BOARD</b> .....	<b>8</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	<b>31</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	<b>32</b>
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	<b>I-1</b>
<b>APPENDIX II – FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP</b> .....	<b>II-1</b>
<b>APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b> .....	<b>III-1</b>
<b>APPENDIX IV – GENERAL INFORMATION</b> .....	<b>IV-1</b>
<b>NOTICE OF EGM</b> .....	<b>EGM-1</b>

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## DEFINITIONS

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*In this circular, except where the context otherwise requires, the following expressions shall have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong
“Certificate”	the written certificate to be issued by an independent practising accountant to be jointly appointed by the Purchasers and the Company confirming the amounts of Completion NAV (as shown in Completion Accounts) and Sale Loan
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 24,000 Shares to 12,000 Consolidated Shares after the Share Consolidation becoming effective
“Company”	Food Idea Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the GEM
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Accounts”	the unaudited consolidated balance sheet of the Disposal Group prepared in accordance with Hong Kong Financial Reporting Standards as at the Completion Date and the unaudited consolidated profit and loss account of the Disposal Group prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 1 January 2016 to the Completion Date
“Completion Date”	the date falling on the third Business Day after all the conditions precedent to the Sale and Purchase Agreement have been fulfilled and satisfied or such other date as the Purchasers and the Company may agree

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## DEFINITIONS

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“Completion NAV”	the unaudited net asset value of the Disposal Group attributable to the Group as at the Completion Date as shown in the Completion Accounts
“Condition(s) Precedent”	condition(s) precedent to the Completion under the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	a preliminary consideration of HK\$49 million (subject to adjustment) which was determined in the manners as described in the paragraph headed “Consideration” in the section headed “Letter from the Board” of this circular and shall be payable by the Purchasers to the Company for the Disposal pursuant to the payment terms as set out in the Sale and Purchase Agreement
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately after the Share Consolidation having become effective
“Debt Restructuring”	the debt restructuring to be carried out by the Disposal Group, pursuant to which the intra-group loans between the Disposal Group and the Remaining Group will be restructured and repaid in such manner to the satisfaction of the Purchasers, such that upon completion of the debt restructuring, other than the Sale Loan, no other liabilities, obligations and indebtedness will be due by the Disposal Group to the Remaining Group
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the assignment of the Sale Loan by the Company to the Purchasers in accordance with the terms of the Sale and Purchase Agreement
“Disposal Group”	the Target Company, together with its subsidiaries

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the Share Consolidation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the Disposal
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Wong and Ms. Lau, and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Latest Practicable Date”	17 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Long Stop Date”	31 July 2016 or such other date as the Company and the Purchasers may agree in writing

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## DEFINITIONS

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“Mr. Wong”	Mr. Wong Kwan Mo, the spouse of Ms. Lau, being the chairman of the Board, the executive Director and the substantial Shareholder holding approximately 23.41% of the issued share capital of the Company as at the Latest Practicable Date
“Ms. Lau”	Ms. Lau Lan Ying, the spouse of Mr. Wong, being the chief executive officer of the Company, the executive Director and the substantial Shareholder holding approximately 23.41% of the issued share capital of the Company as at the Latest Practicable Date
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchasers”	Mr. Wong and Ms. Lau
“Registrar”	Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Remaining Group”	the Group other than the Disposal Group
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 March 2016 entered into between the Purchasers and the Company in relation to the Disposal
“Sale Loan”	all the liabilities, obligations and indebtedness due by Disposal Group to the Remaining Group on or at any time prior to the Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on Completion
“Sale Shares”	100 ordinary shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	existing share(s) of par value of HK\$0.001 each in the share capital of the Company prior to the Share Consolidation becoming effective

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## DEFINITIONS

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“Share Consolidation”	the proposed consolidation of every ten (10) Shares of par value of HK\$0.001 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of par value of HK\$0.01 each in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	GR Holdings Limited, a company incorporated in Samoa with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Share Consolidation, the Change in Board Lot Size and the associated trading arrangements.*

*(Hong Kong time and date)*  
*(2016)*

Latest time for lodging the form of proxy for the EGM . . . . . 11:30 a.m. Saturday, 25 June

Date and time of the EGM . . . . . 11:30 a.m. Monday, 27 June

Publication of the announcement of results of the EGM . . . . . Monday, 27 June

**The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation as set out in the paragraph headed “Conditions of the Share Consolidation” in the section headed “Letter from the Board” of this circular.**

Effective date of the Share Consolidation . . . . . Tuesday, 28 June

Dealing in Consolidated Shares commences . . . . . 9:00 a.m. Tuesday, 28 June

Original counter for trading in Shares in  
board lots of 24,000 Shares temporarily closes . . . . . 9:00 a.m. Tuesday, 28 June

Temporary counter for trading in Consolidated Shares in  
board lots of 2,400 Consolidated Shares  
(in the form of existing share certificates) opens . . . . . 9:00 a.m. Tuesday, 28 June

First day for free exchange of existing share certificates  
for new share certificates for the Consolidated Shares . . . . . Tuesday, 28 June

First day of operation of odd lot trading facility . . . . . 9:00 a.m. Wednesday, 13 July

Original counter for trading in Consolidated Shares in  
board lots of 12,000 Consolidated Shares  
(only new share certificates for the Consolidated Shares  
can be traded at this counter) reopens . . . . . 9:00 a.m. Wednesday, 13 July

Parallel trading in the Consolidated Shares  
(in the form of existing share certificates and  
new share certificates) commences . . . . . 9:00 a.m. Wednesday, 13 July

Temporary counter for trading in board lots of 2,400 Consolidated  
Shares (in the form of existing share certificates) closes . . . . . 4:00 p.m. Tuesday, 2 August

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## EXPECTED TIMETABLE

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*(Hong Kong time and date)*  
*(2016)*

Parallel trading in the Consolidated Shares  
(in the form of existing share certificates and  
new share certificates) closes . . . . . 4:00 p.m. Tuesday, 2 August

Last day of operation of odd lot trading facility . . . . . 4:00 p.m. Tuesday, 2 August

Last day of free exchange of existing  
share certificates for the Shares for  
new share certificates for the Consolidated Shares . . . . . 4:00 p.m. Thursday, 4 August

*Note:* All dates and times in this circular refer to Hong Kong local dates and times

Date or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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LETTER FROM THE BOARD

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新煮意控股有限公司  
**FOOD IDEA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

*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

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Shop 46, Ground Floor

Ho Shun Tai Building

No. 10 Sai Ching Street

Yuen Long

New Territories

Hong Kong

20 May 2016

*To the Shareholders,*

Dear Sir or Madam,

**(I) VERY SUBSTANTIAL DISPOSAL  
AND CONNECTED TRANSACTION;  
(II) SHARE CONSOLIDATION;  
(III) CHANGE IN BOARD LOT SIZE;  
AND  
NOTICE OF EGM**

**INTRODUCTION**

References are made to the announcements of the Company dated 10 March 2016 and 17 May 2016 in relation to the Disposal and the Share Consolidation and Change in Board Lot Size, respectively.

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## LETTER FROM THE BOARD

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On 10 March 2016, the Company entered into the Sale and Purchase Agreement with the Purchasers, pursuant to which the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loan at the preliminary Consideration of HK\$49 million (subject to adjustment by Completion NAV) payable in cash.

On 17 May 2016, the Company proposed to put forward to the Shareholders for their approval of the Share Consolidation and Change in Board Lot Size.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) further information of the Share Consolidation and Change in Board Lot Size; (iii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Disposal; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (v) a notice convening the EGM.

### THE SALE AND PURCHASE AGREEMENT

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

**Date:**

10 March 2016

**Parties:**

Vendor: Food Idea Holdings Limited

Purchasers: Mr. Wong and Ms. Lau

As at the Latest Practicable Date, Mr. Wong is the chairman of the Board, the executive Director and one of the substantial Shareholders, and Ms. Lau, the spouse of Mr. Wong, is the executive Director and one of the substantial Shareholders. The Purchasers are both connected persons of the Company.

**Assets to be disposed of**

- (i) the Sale Shares, representing the entire issued share capital of the Target Company; and
- (ii) the Sale Loan, representing all the liabilities, obligations and indebtedness due by Disposal Group to the Remaining Group on or at any time prior to the Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on Completion. As at 31 December 2015, there was an amount of approximately HK\$92.68 million due by the Disposal Group to the Remaining Group.

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## LETTER FROM THE BOARD

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### Debt Restructuring

It is intended that the Disposal Group will repay all intra-group loans due by the Disposal Group to the Remaining Group in cash on or before the Long Stop Date. When the Disposal Group uses any of its cash to repay the intra-group loans on or before Long Stop Date, the total assets of the Disposal Group and the outstanding amount due to the Remaining Group will be decreased to the same extent thus there will be no impact on the Consideration.

In the event that there is an amount due by the Remaining Group to the Disposal Group upon completion of Debt Restructuring, such outstanding amount will be deducted from the Consideration. As at the Latest Practicable Date, the amount due by the Remaining Group to the Disposal Group was nil.

In the event that there is insufficient cash to repay the amount due by the Disposal Group to the Remaining Group upon completion of Debt Restructuring, such outstanding amount will form part of the Consideration as the Sale Loan. Based on (i) the Disposal Group's cash and cash equivalents amounted to approximately HK\$82.12 million as at 31 December 2015; and (ii) the net intra-group loan of the Disposal Group from the Remaining Group amounted to approximately HK\$92.68 million as at 31 December 2015, as extracted from Appendix II to this circular, the Company expects that there will be Sale Loan of approximately HK\$10.56 million upon completion of Debt Restructuring. However, the final Consideration is still subject to the adjustments of the Completion NAV and the Sale Loan as at the Completion Date.

The Debt Restructuring, being one of the Conditions Precedent, must be completed by the Long Stop Date.

Further particulars of the Disposal Group are set out in the paragraph headed "Information on the Disposal Group" below.

### Consideration

The preliminary Consideration is HK\$49 million, which is subject to adjustment, payable in cash and shall be satisfied in the following manner:

- (i) HK\$15 million (the "**Initial Payment**") shall be payable by the Purchasers to the Company or its nominee on the Completion Date; and
- (ii) balance of the Consideration (the "**Remaining Balance**") shall be payable by the Purchasers to the Company or its nominee within ten (10) Business Days from the date of the Certificate.

It is expected that the Disposal will be completed and the Company will receive the Initial Payment by the end of June 2016.

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## LETTER FROM THE BOARD

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Pursuant to the Sale and Purchase Agreement, the Consideration shall be adjusted and be equal to the total sum of the Completion NAV and the Sale Loan. As such, upon Completion, the Company will prepare the financial information of the Disposal Group and Completion Accounts based on the management accounts of the Disposal Group as at the Completion Date, so as to determine the amount of Consideration. The audited financial information of the Disposal Group, on which the Completion NAV and the Sale Loan will be based and determined, will be disclosed in the notes to the audited financial statements of the Group for the year ending 31 December 2016. The Company will then procure an independent practising accountant and issue the Certificate on or before 31 May 2017, to confirm the amount of the Completion NAV and Sale Loan as at the Completion Date. The Purchasers shall provide and procure the Disposal Group and its agents to provide such assistance as the Company or its agents may reasonably require in connection with the preparation of the Completion Accounts.

Upon the issuance of the Certificate confirming the Completion NAV and Sale Loan, the Remaining Balance will be adjusted and be equal to the total sum of the Completion NAV and the Sale Loan as at the Completion Date as shown in the Certificate less the Initial Payment.

The Consideration will be adjusted by both (i) the Completion NAV; and (ii) the result of the Debt Restructuring for determining the Sale Loan. The adjustments of both are mutually exclusive and have neither caps nor floors. The final amount of Consideration will be based on the amounts of the Completion NAV and Sale Loan as set out in the Certificate. In the event there is a difference between the preliminary amounts as shown in the Completion Accounts and the amounts as set out in the Certificate, the Remaining Balance will be adjusted and be equal to the sum of the Completion NAV and Sale Loan as shown in the Certificate less the Initial Payment, and it will be payable by the Purchasers to the Company or its nominee in cash within 10 Business Days from the date of the Certificate.

Given that the Disposal Group has been suffering from its continual operating losses, the net asset value of the Disposal Group which forms part of the basis of Consideration may be gradually decreased and there is a possibility that the Consideration will be less than HK\$49 million after adjustments. However, the Directors consider that the adjustments will not be significant as the Disposal is expected to be completed by the end of June 2016.

For illustrative purposes concerning the Consideration, as if the Completion had taken place on 31 December 2015, the Completion NAV would be approximately HK\$41.12 million and the Disposal Group's cash and cash equivalents of approximately HK\$82.12 million as at 31 December 2015 could be used to repay the outstanding amount due by it to the Remaining Group of approximately HK\$92.68 million, as a result, the Sale Loan would be approximately HK\$10.56 million; as if the Completion had taken place on 31 March 2016, the Completion NAV would be approximately HK\$38.46 million and the Disposal Group's cash and cash equivalents of approximately HK\$47.60 million as at 31 March 2016 could be used to repay the outstanding amount due by it to the Remaining Group of approximately HK\$60.36 million, as a result, the Sale Loan would be approximately HK\$12.76 million.

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## LETTER FROM THE BOARD

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The assets in the Disposal Group comprise cash, securities and certain fixed assets including but not limited to leasehold improvements, air-conditioning, equipment and kitchen utensils and furniture and fixtures for the operation of the restaurants business. Given that (i) the Disposal Group does not hold any real properties; (ii) the securities of the Disposal Group which include listed securities, funds and bonds, are having high liquidity, the value of which can be readily obtained from the market; and (iii) the value of the assets of the Disposal Group will be audited and disclosed in the notes to the audited financial statements of the Group for the year ending 31 December 2016. The Directors consider that the value of all assets would be fairly audited and obtained, therefore, no independent valuation is required.

In light that the Consideration will be adjusted by the Completion NAV, the Company strives for the accuracy of the Completion Accounts. As such, the Company and the Purchasers agree that the financial information of the Disposal Group as at Completion Date should be at least reviewed by the auditor of the Company. However, should the Completion Accounts be prepared and reviewed separately by the auditor of the Company before financial year ending 31 December 2016 of the Group, this will incur additional costs.

To balance the costs and benefits for the accuracy of the Completion NAV, the Company has taken into account (i) the auditor of the Company will audit the financial information of the Disposal Group which will be disclosed in the annual report of the Group for the financial year ending 31 December 2016, so as to provide an accurate result of the Disposal without incurring additional costs; and (ii) the monetary amount of Completion NAV and Sale Loan will be determined on the Completion Date, which is expected to be not later than the end of June 2016, and the issuance of Certificate simply provides a written confirmation regarding the accuracy of the Completion NAV, the Company and the Purchasers therefore agree that the Certificate shall be issued together with the Group's audited accounts for the year ending 31 December 2016 so as to minimise the costs and expenses of the Disposal and the Company considers such arrangement is in the interests of the Company and the Shareholders as a whole.

The Consideration (including the adjustment by Completion NAV) was determined after arm's length negotiations between the Company and the Purchasers and taken into account the following factors, including (i) the operating and financial performance of the Disposal Group; (ii) the prospects of and competition to be faced by the Disposal Group; (iii) the earnings outlook of the Chinese restaurant business in Hong Kong; and (iv) the book value of the net assets (including the Sale Loan) of HK\$48.30 million of the Disposal Group attributable to the Group, based on the management accounts of the Disposal Group as at 30 September 2015.

### **The Share charge**

Immediately after Completion, each of the Purchasers shall execute a share charge in favour of the Company to charge the Sale Shares to the Company as security for the payment obligations and liabilities of the Purchasers arising from or under the Sale and Purchase Agreement. The said share charge shall be released upon full settlement of all the payment obligations and liabilities arising from or under the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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### **The assignment of loan by way of security**

In the event that there existing the Sale Loan at Completion, immediately after Completion, the Purchasers shall jointly execute an assignment of loan by way of security in favour of the Company to assign back the Sale Loan to the Company as security for the payment obligations and liabilities of the Purchasers arising from or under the Sale and Purchase Agreement. The said assignment of loan by way of security shall be reassigned and discharged upon full settlement of all the payment obligations and liabilities arising from or under the Sale and Purchase Agreement.

### **Conditions Precedent**

Completion is conditional upon satisfaction of the following Conditions Precedent:

- (a) the passing by the Independent Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules and the applicable laws and regulations;
- (b) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (c) the warranties made by the Company in the Sale and Purchase Agreement remaining true and accurate in all respects;
- (d) the warranties made by the Purchasers in the Sale and Purchase Agreement remaining true and accurate in all respects; and
- (e) the completion of the Debt Restructuring.

The Purchasers may at any time by notice in writing to the Company to waive the Conditions Precedent referred to in (c) above and the Company may at any time by notice in writing to the Purchasers to waive the Conditions Precedent referred to in (d) above. The Conditions Precedent referred to in (a), (b) and (e) above cannot be waived. If any of the Conditions Precedent is not satisfied or waived (as the case may be) on or before the Long Stop Date (or such other date as the Purchasers and the Company may agree in writing), the Sale and Purchase Agreement shall cease and determine and thereafter neither parties shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above Conditions Precedent has been satisfied or waived.



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## LETTER FROM THE BOARD

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### Completion

Subject to fulfilment of the Conditions Precedent, Completion shall take place on the Completion Date or such other date as the parties to the Sale and Purchase Agreement may agree in writing. Upon Completion, the Company will not hold any interest in the Target Company and the Disposal Group will cease to be subsidiaries of the Company.

Further announcement(s) will be made by the Company as soon as practicable after the Completion Date and after the issue of the Certificate, respectively, to update the Shareholders on the details of the Disposal, including but not limited to, the amounts of Completion NAV and Sale Loan, the total amount of Consideration, the amount of and the due date for the remaining Consideration.

### INFORMATION ON THE DISPOSAL GROUP

The Target Company, a wholly-owned subsidiary of the Company, is a company incorporated in Samoa with limited liability on 30 September 2010 and the entire issued share capital of which is directly and wholly-owned by the Company as at the date of the Sale and Purchase Agreement. The principal activity of the Target Company is investment holding.

The Disposal Group, comprising the Target Company and 13 subsidiaries, is principally engaged in operating full-service Chinese restaurants in Hong Kong and is recognised for delivering Chinese cuisine and Chinese wedding banquet and dining services. The Disposal Group is also engaged in small scale of securities investment, with a market value of approximately HK\$30.81 million as at 31 March 2016. As at the Latest Practicable Date, the investment portfolio of the Disposal Group comprises debt securities listed in Hong Kong and the United States of America, equity securities and exchange traded funds listed in Hong Kong and unlisted funds in Luxemburg.

Given the Remaining Group is also engaged in the investment in securities, in view of (i) the insignificant shareholding interest in the invested companies and/or funds held by the Disposal Group; and (ii) the listed securities can be traded easily in the open market, the Directors consider that there will be no competition and/or conflict of interests between the Disposal Group and the Remaining Group upon Completion.

As at the Latest Practicable Date, the Disposal Group is operating 8 restaurants under 3 brands, namely Red Seasons Aroma Restaurant (“**Red Seasons**”), Plentiful Delight Banquet Restaurant (“**Plentiful Delight Banquet**”) and Red Royalty Banquet Restaurant (“**Red Royalty**”).

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## LETTER FROM THE BOARD

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There are a total of 6 restaurants under the brand of Red Seasons, which mainly situate in the residential area in Lam Tei Tuen Mun, Waldorf Garden Tuen Mun, Tsuen Wan, Sha Tin, Wan Chai and Olympian City and are serving Chinese cuisine including Cantonese dim sum and main courses, fresh seafood delicacies and specialty Chinese cuisine such as roast suckling pigs and traditional walled village cuisine. Plentiful Delight Banquet and Red Royalty are both located in Yuen Long with a seating capacity of around 100 banquet tables in each restaurant, which are ideal for Chinese wedding banquet and large-scale banquet events.

As at 31 December 2013, 2014 and 2015, the Disposal Group had 9 restaurants, 9 restaurants and 9 restaurants respectively. In the past few years, the operating and economic environment for restaurant industry was deteriorating. The top challenges faced by the catering services of the Disposal Group include high food costs, high rent and high labour costs for recruiting and retaining employees. As the target customers of the Chinese restaurants of the Disposal Group are the customers in the neighborhood who desire quality food and special Chinese cuisine at competitive prices, the restaurants always try to offset rising prices by cutting costs rather than passing them on to customers.

Based on the unaudited consolidated accounts of the Disposal Group for the year ended 31 December 2013, 2014 and 2015, the revenue of the Disposal Group were approximately HK\$381.37 million, HK\$401.78 million and HK\$375.15 million for the year ended 31 December 2013, 2014 and 2015 respectively. The profit after tax of the Disposal Group were approximately HK\$25.08 million, HK\$4.99 million for the year ended 31 December 2013 and 2014 respectively and a loss after tax of approximately HK\$23.76 million for the year ended 31 December 2015. Such loss was mainly attributable to (i) the lackluster performance of the Chinese restaurant operations in Hong Kong, leading to the decrease in revenue as compared to the prior year; (ii) the impairment losses of approximately HK\$8.46 million relating to the property, plant and equipment, the extent of which were determined with reference to the recoverable amount of relevant assets in the loss-making restaurants in 2015 (2014: HK\$3.77 million); and (iii) the aggregate realised and unrealised loss of approximately HK\$4.00 million in the financial assets at fair value through profit or loss.

In addition to the declining financial results of the Disposal Group aforementioned, the business of the Disposal Group has been adversely affected by the unfavourable market conditions in Hong Kong, including the uncertainties in the Hong Kong economy, the recent turmoil in the PRC and Hong Kong financial market and currencies, the weakening consumer sentiments and the deteriorating political polarization in Hong Kong, and there was no sign of improvement in the near future.

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## LETTER FROM THE BOARD

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The overall performance of the Chinese restaurant business of the Disposal Group in 2015 was worse than 2014 as set out below. Combined with the rising rentals, labour and food costs for operating the Chinese restaurants and the above economic challenges in Hong Kong, the Board expects that it will be even more challenging in 2016. Apart from the macro economic challenges, the Disposal Group also encounters difficulties in expanding its restaurant business in new areas. Since its expansion of restaurant business in Hong Kong Island, unlike those restaurants in New Territories, the new restaurants had difficulties in establishing customer base for long term patronage, as a result, the Red Seasons in Sai Wan was suspended in March 2016 so to reduce further operating loss.

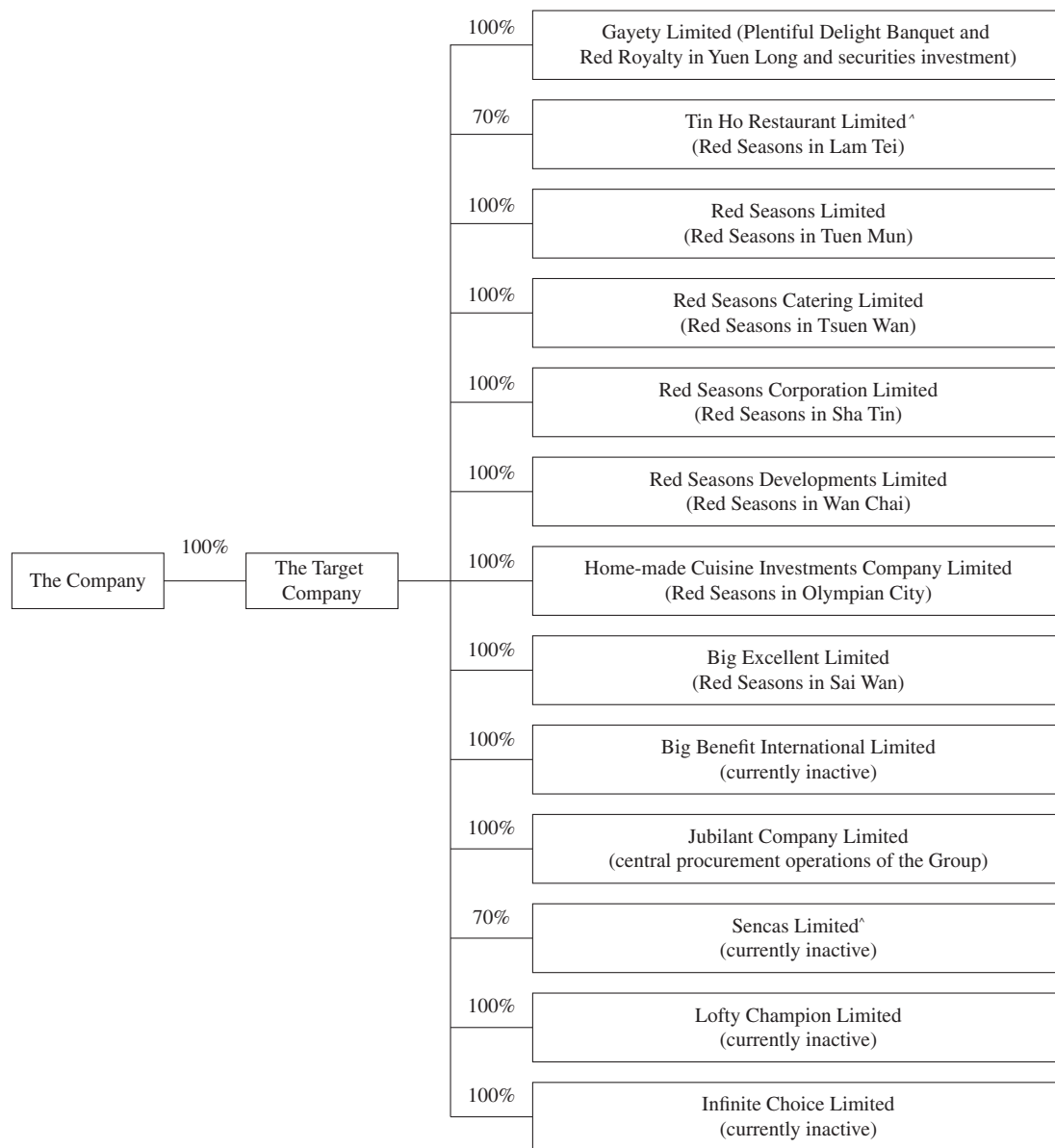
Set out below is the consolidated financial information of the Disposal Group for the year ended 31 December 2013, 2014 and 2015 prepared under the Hong Kong Financial Reporting Standards as extracted from Appendix II to this circular:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	375,149	401,784	381,373
(Loss)/profit before tax	(20,410)	9,493	30,476
(Loss)/profit after tax	(23,759)	4,988	25,082

As set out in Appendix II to this circular, the unaudited net asset of the Disposal Group attributable to the Group as at 31 December 2015 was approximately HK\$41.12 million.

## LETTER FROM THE BOARD

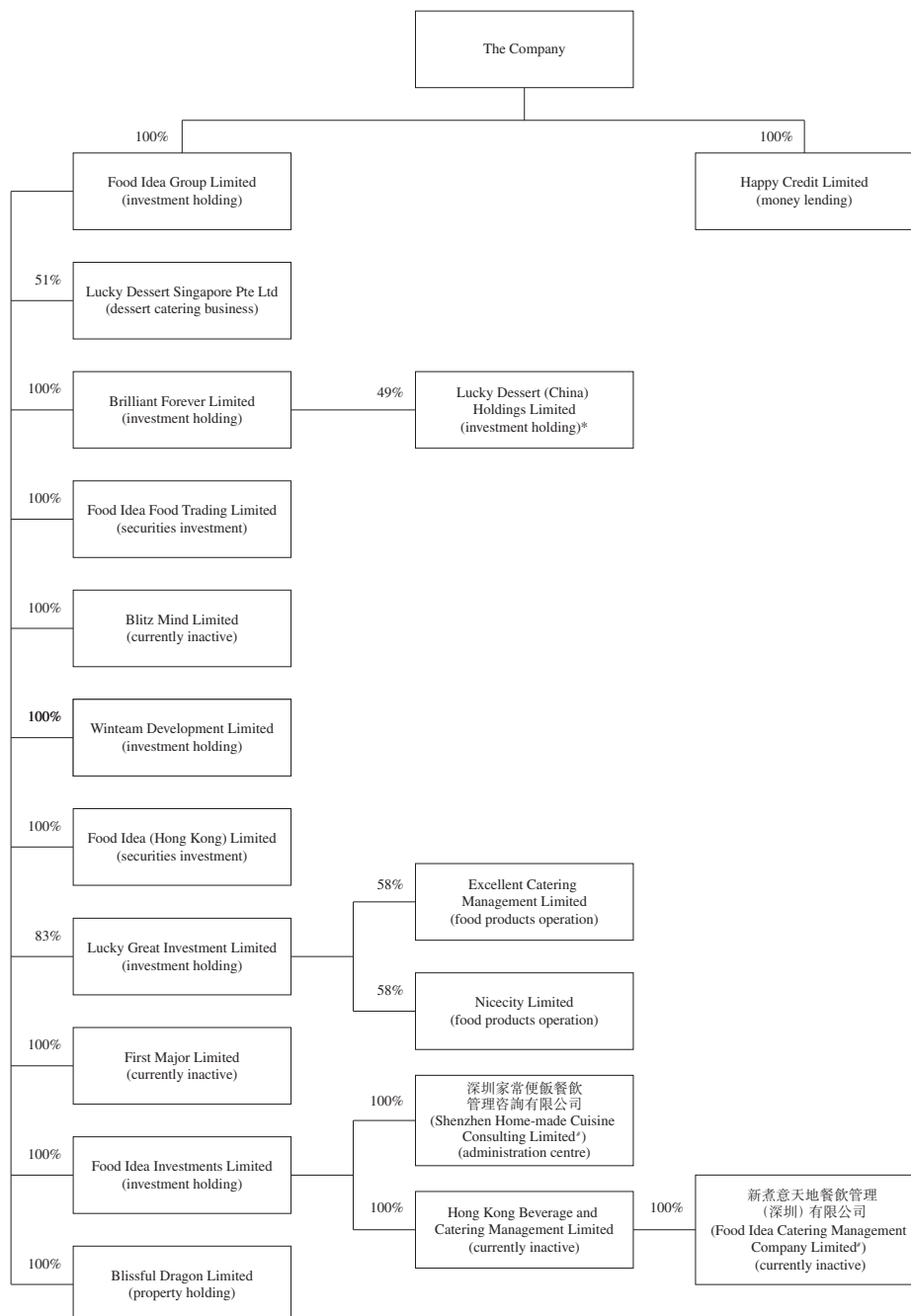
The simplified organisation chart of the Disposal Group as at the Latest Practicable Date is set out below:



<sup>^</sup> *Tin Ho Restaurant Limited and Sencas Limited are owned as to 30% by an employee of the Disposal Group, and his brother, each of them are independent of and not connected with the Company and its connected persons.*

## LETTER FROM THE BOARD

Set out below is the simplified organisation chart of the Remaining Group upon completion of the Disposal:



\* the Remaining Group's dessert catering business in the PRC is operated by the subsidiaries of Lucky Dessert (China) Holdings Limited.

# the translated English names of Chinese entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP AND REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activity of the Company is investment holding. The Group is principally engaged in (i) catering services in Hong Kong and the PRC; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; and (iv) money lending business.

Despite significant efforts undertaken by the Group to expand its catering services as mentioned in the paragraph headed “Information on the Disposal Group”, the Disposal Group suffered from the deteriorating financial results in light of the severe market competition, the weakening local economy and customer sentiments, and the rising costs of food, labour and rental in the past few years.

The high costs and labour intensive nature further reduced the net profit margin of the catering services of the Disposal Group, from approximately 6.6% in 2013 to approximately 1.2% in 2014, and further worsened to a net loss in 2015. In respect of the segment results in catering services of the Group, the catering services was the least-performed segment as compared with the food products operation, securities investment and money lending business. Based on the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”), the Group recorded a segmental loss of approximately HK\$13.21 million in catering services for the year ended 31 December 2015, as compared to the profit of approximately HK\$10.71 million for the corresponding year ended 31 December 2014. During the year ended 31 December 2015, the Red Seasons restaurants, recorded a drop in revenue of approximately 6% to approximately HK\$221.87 million as compared to last year. During the year ended 31 December 2015, Plentiful Delight Banquet and Red Royalty recorded a drop in revenue of approximately 4%, as compared to last year.

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## LETTER FROM THE BOARD

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In view of the above financial results of the Disposal Group, the Directors have the following opinions after analysing the costs and benefits on the options that (a) the Company keeps operating the business of the Disposal Group; and (b) the Company proceeds with the proposal Disposal:

- (i) based on the previous expenses record of the Group, the cost of refurbishment for a restaurant is estimated to range from approximately HK\$1.3 million to approximately HK\$18.7 million, depending on the size of the restaurant and the scale of refurbishment. Breakdown of historical capital expenditure in respect of the leasehold improvements for the restaurants is set out below.

<b>Restaurant</b>	<b>Amount of capital expenditure HK\$</b>	<b>Year of previous refurbishment</b>
Plentiful Delight Banquet in Yuen Long	9,000,000	2007
Red Royalty in Yuen Long	18,700,000	2011
Red Seasons in Tsuen Wan	5,200,000	2010
Red Seasons in Sha Tin	6,100,000	2013
Red Seasons in Lam Tei	1,500,000	2015
Red Seasons in Olympian City	<u>1,300,000</u>	2015
	<u><u>41,800,000</u></u>	

In view of the table above, it is expected that the related capital expenditure for the Disposal Group in the coming two years would amount to approximately HK\$41.8 million, which, in turn, would further aggravate the weakening performance of the Disposal Group;

- (ii) should the Company keep operating the Chinese restaurant business, apart from continuous operating loss, the Group will have to make substantial capital commitment due to refurbishment of certain restaurants whose rental contracts will expire and subject to renewal in the upcoming few years. In respect of the rented premises for Chinese restaurant operations, save for the rental contracts entered into between (i) Red Seasons Corporation Limited, a wholly-owned subsidiary of the Target Company, and U Investments Limited, a company owned as to 50% by Mr. Wong and as to 50% by Ms. Lau; and (ii) Gayety Limited, a wholly-owned subsidiary of the Target Company, and Goldex Management Limited, a company owned as to 50% by Mr. Wong and 50% by Ms. Lau, all counterparties to the rental contracts entered into with the Disposal Group are independent of and not connected with the Company and its connected persons. Following Completion, the above rental contracts will no longer constitute continuing connected transactions for the Company as defined in Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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- (iii) according to the statistics published by the Hong Kong Census and Statistics Department, the volume index of total receipts of the restaurants sector decreased gradually from 2013 to 2015, which indicates that the overall number of dining transactions declined in line with the economic change in Hong Kong. The survey conducted by the Hong Kong Census and Statistics Department also shows that significantly more respondents in the food services sector expect the business situation to be getting worse in 2016. The Directors are even more pessimistic with the prospects of the Chinese restaurant business in view of the negative market sentiment and macro-economic conditions in Hong Kong in 2016 as the market forecasts; and
- (iv) on the contrary, upon completion of Disposal, the Remaining Group could focus on developing other businesses with higher growth potential, such as money lending business. The Board believes that (i) the businesses in the Remaining Group can serve as a better driver for the Group's performance with solid revenue stream and capital gain potentials; and (ii) the sale proceeds arising from the Disposal can be immediately used for expansion of money lending business which has been growing in a rapid pace. The Group could streamline its operations and could better allocate its financial resources.

Having considered (i) the deteriorating results of the Disposal Group which has already exerted a significant pressure on the overall profitability of the Group; (ii) the estimated capital expenditures to be undertaken by the Group as mentioned above; and (iii) the unfavourable market conditions surrounding the restaurant business in Hong Kong, the Board considers that the Disposal represents a good opportunity not only to dispose of its loss-making business but also to unlock the maximum value of the catering services of the Disposal Group for the Shareholders.

### **Remaining business of the Group after the Disposal**

Following the Disposal, the remaining businesses of the Group will comprise food products operation, money lending business, dessert catering business and investment in securities.

#### ***(i) Food products operation***

The Group is engaged in the production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to over 60 concessionaire stores in major supermarket chains in Hong Kong. Based on the 2015 Annual Report, the food products operation of the Remaining Group recorded revenue of approximately HK\$88.82 million with a segmental profit of approximately HK\$1.29 million during the year ended 31 December 2015. Following the Disposal, the Remaining Group will continue with its food products operation business, which remains one of the major sources of revenue to the Remaining Group. To the best knowledge of the Directors, the existing customers of the food products operation segment are Independent Third Parties.



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## LETTER FROM THE BOARD

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As the Target Company and its subsidiaries will be wholly-owned by the Purchasers upon Completion and the Purchasers are both connected persons of the Company, any provision of goods or services between the Remaining Group and the Disposal Group relating to food products operation will therefore constitute a continuing connected transaction of the Company under Rule 20.29 of the GEM Listing Rules.

During the year ended 31 December 2015, the Remaining Group had purchased meat products from Jubilant Company Limited, a member of the Disposal Group, amounting to approximately HK\$2.91 million, representing approximately 7.4% of the Remaining Group's total purchases of its food products operation. The Remaining Group purchased from around 35 suppliers, amounting to approximately HK\$39.29 million for the year ended 31 December 2015.

The Company confirms that the Remaining Group will cease all purchases from the Disposal Group upon Completion. As such, there will be no continuing connected transactions between the Disposal Group and the Remaining Group immediately after the Disposal.

### *(ii) 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. Based on the 2015 Annual Report, it had generated interest income of approximately HK\$3.41 million and recorded a segmental profit of approximately HK\$2.86 million during the year ended 31 December 2015. The growth of the money lending business has exceeded the Group's expectation. From the start of the money lending business to 31 December 2015, an aggregate loan of approximately HK\$234.34 million had been built up by the Remaining Group, of which approximately HK\$106.16 million was repaid by its customers. Up to 31 March 2016, the Remaining Group has outstanding loans of approximately HK\$150.92 million to 15 customers. All the loans advanced by the Remaining 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.

### *(iii) Dessert catering business*

The Remaining Group has commenced its dessert catering business through the acquisition of 100% equity interest in Brilliant Forever Limited with its 49% equity interest in Lucky Dessert (China) Holdings Limited (the “**Associate**”, together with its subsidiaries, the “**Associate Group**”), the said acquisition was completed on 29 April 2015. The Associate Group operated its first dessert catering restaurant in Tianjin, the PRC in May 2015 and the brand of “Lucky Dessert 發記甜品” has established market presence through the opening of its third dessert catering restaurant in December 2015.

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## LETTER FROM THE BOARD

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The Associate Group currently has 3 self-operating dessert catering restaurants in Tianjin and will grant the licence right to a local operator to set up and operate dessert catering restaurants under the trademark of “Lucky Dessert 發記甜品” in Tianjin in May 2016, which is in line with the development plan of the Group as disclosed in the circular of the Company dated 27 March 2015.

Based on the 2015 Annual Report, the Remaining Group recorded its share of profit of an associate of approximately HK\$11.65 million during the year ended 31 December 2015, which mainly represented the gain on acquisition of the Associate Group.

Regarding the business performance of the Associate Group, the Associate Group has generated revenue of over RMB2 million but has not recorded any operating profit since its establishment up to 31 December 2015. The Remaining Group will leverage its rich experience and expertise in Chinese restaurant business to further tap into the dessert catering business in the PRC, which will ultimately enhance the awareness and reputation of the brand “Lucky Dessert 發記甜品”, and the Board believes that this will be beneficial to the Remaining Group and deliver greater value to the Shareholders.

The Remaining Group is in the course of negotiating with different potential franchisees for expanding its dessert catering business under the trademark “Lucky Dessert 發記甜品” to other areas of the PRC, and has been approached by potential franchisees for running the dessert catering business in other cities such as Beijing, Shanghai and Xian, the PRC and other countries in Southeast Asia. On 9 December 2015, the Remaining Group purchased the exclusive rights of “Lucky Dessert 發記甜品” in Singapore for a term of 25 years. Up to the Latest Practicable Date, no other material progress has been reached. The Directors will continue to negotiate with the respective franchisees and will update the Shareholders for any material progress.

### ***(iv) Investment in securities***

For the business segment of securities investment, the Remaining Group will continue to invest in various listed and unlisted equity securities, debt securities and funds in Hong Kong and overseas. The financial assets at fair value through profit or loss held by the Remaining Group as at 31 December 2015 were valued at approximately HK\$389.00 million. During the year ended 31 December 2015, the Remaining Group recorded a realised loss of approximately HK\$12.65 million and a net unrealised gain of approximately HK\$154.90 million in its financial assets at fair value through profit or loss.

Barring unforeseen circumstances, the scale of the food products operation and the securities investment business of the Remaining Group shall remain the same as those prior to the Disposal.

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## LETTER FROM THE BOARD

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In view of the above, the Directors consider that there are sufficient assets and operations of the Remaining Group after the Disposal. As at the Latest Practicable Date, the Company does not have any plan to scale down or dispose of its remaining business subsequent to the Disposal or commence any new business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this circular, the estimated loss on the Disposal is approximately HK\$1.73 million, which is calculated based on (i) the cash consideration of approximately HK\$41.12 million; (ii) the net asset of the Disposal Group attributable to the Group (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2015 which amounted to approximately HK\$41.12 million (being calculated at 100% share of the net asset of the Disposal Group of approximately HK\$42.05 million after deducting those attributable to the non-controlling interests of approximately HK\$930,000); and (iii) the estimated legal and other professional expenses relating to the Disposal of approximately HK\$1.73 million, as if the Disposal had been completed on 31 December 2015.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the Group's total assets would decrease by approximately 5.2% from approximately HK\$855.18 million to HK\$810.83 million, and the Group's total liabilities would decrease by approximately 18.2% from approximately HK\$228.78 million to HK\$187.08 million. The Group's net assets would decrease by approximately 0.4% from approximately HK\$626.40 million to HK\$623.74 million and the Group's cash and cash equivalents including pledged bank deposits, would increase by approximately 48.3% from approximately HK\$100.19 million to HK\$148.61 million assuming the Disposal had been completed on 31 December 2015.

The actual gain or loss arising from the Disposal may be different from the above and shall be subject to the review by auditor and determined based on the amount of the consolidated net assets/liabilities (as the case may be) of the Disposal Group and the amount of the Sale Loan as at the Completion Date and the amount of expenses incidental to the Disposal.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS

Based on the Consideration, it is expected that the Company will receive net cash proceeds of approximately HK\$47.27 million (after deduction of transaction costs and expenses) from the Disposal. The Group intends to apply approximately 90% of such proceeds, or HK\$42.54 million, for the expansion of money lending business and the remaining HK\$4.73 million as general working capital of the Group.

As at the Latest Practicable Date, the Company had neither intention nor plan to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation with an intention to conduct any fund raising activities.

### GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Wong is the chairman of the Board, the executive Director and one of the substantial Shareholders, and Ms. Lau, the spouse of Mr. Wong, is the executive Director and one of the substantial Shareholders. The Purchasers are both connected persons of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. As certain applicable percentage ratios in respect of the Disposal exceed 75%, the entering into of the Sale and Purchase Agreement constitutes a very substantial disposal of the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 19 and 20 of the GEM Listing Rules.

Mr. Wong and Ms. Lau, who have a material interest under the Sale and Purchase Agreement, have abstained from voting on the relevant issues at the Board meeting for approving the Sale and Purchase Agreement.

### PROPOSED SHARE CONSOLIDATION

#### Basis of the Share Consolidation

The Board proposes to consolidate every ten (10) existing issued and unissued Shares of HK\$0.001 each in the share capital of the Company into one (1) Consolidated Share of HK\$0.01 each. The Share Consolidation will become effective upon the fulfillment of the conditions set out in paragraph headed "Conditions of the Share Consolidation" below.

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## LETTER FROM THE BOARD

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### Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Consolidation; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidation Shares.

The Share Consolidation will become effective after the conditions of the Share Consolidation above are fulfilled.

### Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$100,000,000 divided into 100,000,000,000 Shares of HK\$0.001 each, of which 6,528,000,000 Shares of HK\$0.001 each are issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted and issued or bought back prior thereto, the authorised share capital of the Company will become HK\$100,000,000 divided into 10,000,000,000 Consolidated Shares of HK\$0.01 each, of which 652,800,000 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. Other than the expenses, including the professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operations, management or financial position of the Group or result in any change in the rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

### Application for listing of the Consolidated Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS in the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Status of the Consolidated Shares**

The Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

### **Fractional Consolidated Shares**

Any fractional Consolidated Share in the issued share capital of the Company that may arise as a result of the Share Consolidation will be cancelled but any fractional entitlements to the Consolidated Shares will be aggregated into whole Consolidated Shares and sold for the benefit of the Company.

### **Change of board lot size**

As at the Latest Practicable Date, Shares are traded in board lots of 24,000. Following the Share Consolidation, it is proposed that the Consolidated Shares will be traded in board lots of 12,000.

Based on the closing price of HK\$0.035 per Share as at the Latest Practicable Date, the value of each board lot of 12,000, assuming the Share Consolidation had already been effective, would be HK\$4,200.

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## LETTER FROM THE BOARD

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### **Odd lot trading arrangement**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Change in Board Lot Size, the Company has agreed to engage Infast Brokerage Limited to arrange for matching services regarding the sale and purchase of odd lots of the Consolidated Shares between 9:00 a.m. and 4:00 p.m. from Wednesday, 13 July 2016 to Tuesday, 2 August 2016 (both days inclusive). Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares may contact Mr. Pong Cheuk Pun of Infast Brokerage Limited (telephone number: (852) 2853 1078) at 18/F, No. 8 Lyndhurst Terrace, Central, Hong Kong during office hours in the aforesaid period. Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is on a best efforts basis and successful matching of the sale and purchase of such odd lots is not guaranteed. The Company will bear the costs relating to the matching of sale and purchase of odd lots of the Consolidated Shares. Any Shareholder who is in doubt about the odd lot trading arrangement is recommended to consult his/her/its own professional advisers.

### **Reasons for the Share Consolidation**

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. In view of the recent trading price of the Shares, the Board proposed to implement the Share Consolidation. The Share Consolidation together with the Change in Board Lot Size will also allow the value of each board lot to be increased to more than HK\$2,000 and enable the Company to avoid incompliance with the trading requirements under the GEM Listing Rules.

Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or securities in issue which are convertible or exchangeable into the Shares or the Consolidated Shares.

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, which is currently expected to be Tuesday, 28 June 2016, being the next business day following the date of the EGM, Shareholders may on or after Tuesday, 28 June 2016 and until 4:00 p.m. on Thursday, 4 August 2016 (both days inclusive), submit their existing share certificates (in green colour) for the Shares to the Registrar for exchange of new share certificates (in blue colour) for the Consolidated Shares at the expense of the Company.

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## LETTER FROM THE BOARD

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Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of new share certificates.

With effect from Tuesday, 28 June 2016, trading will only be in Consolidated Shares and only new share certificates will be issued. Existing share certificates for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

### **WARNING**

**Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Share Consolidation” above, and therefore may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### **EGM**

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be held on Monday, 27 June at 11:30 a.m. at Unit R2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of, considering and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the Share Consolidation. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

As at the Latest Practicable Date, Mr. Wong, Ms. Lau and their associates are interested in 1,727,508,000 Shares representing approximately 26.46% shareholding in the entire issued share capital of the Company. Each of them will abstain from voting in relation to the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.



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## LETTER FROM THE BOARD

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To the best of the Director's knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Share Consolidation.

The resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 31 of this circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 32 to 52 of this circular, considers that the Sale and Purchase Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Directors are of the opinion that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Consolidation.

### ADDITIONAL INFORMATION

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

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

Hong Kong, 20 May 2016

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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# 新煮意控股有限公司 FOOD IDEA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

20 May 2016

*To the Independent Shareholders*

Dear Sir or Madam,

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

We refer to the circular dated 20 May 2016 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in the letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Sale and Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Veda Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 32 to 52 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 30 of the Circular and the additional information set out in the appendices of the Circular.

Having taken into account the Disposal and the transactions contemplated under the Sale and Purchase Agreement, and the advice from the Independent Financial Adviser, we consider that the Sale and Purchase Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole, but are not in the ordinary or usual course of business of the Group. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
the Independent Board Committee

**Li Fu Yeung**  
*Independent non-executive  
Director*

**Kwan Wai Yin, William**  
*Independent non-executive  
Director*

**Tam Lok Hang**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this Circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

**Veda Capital Limited**  
Room 1106, 11/F  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

20 May 2016

*The Independent Board Committee and the Independent Shareholders of  
Food Idea Holdings Limited*

Dear Sir/Madam,

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” in the circular (“**Circular**”) issued by the Company to the Shareholders dated 20 May 2016 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 10 March 2016, the Company entered into the Sale and Purchase Agreement with the Purchasers, pursuant to which the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loan at the preliminary Consideration of HK\$49 million (subject to adjustment by Completion NAV) payable in cash.

As Mr. Wong is the chairman of the Board, an executive Director and one of the substantial Shareholders, and Ms. Lau, the spouse of Mr. Wong, is an executive Director and one of the substantial Shareholders as at the Latest Practicable Date, the Purchasers are both connected persons of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. As certain applicable percentage ratios in respect of the Disposal exceed 75%, the entering into of the Sale and Purchase

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Agreement constitutes a very substantial disposal of the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 19 and 20 of the GEM Listing Rules.

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the Disposal. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

### **BASIS OF OUR ADVICE**

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time when they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this Circular misleading. We have no reason to believe that any information and representations relied on by us

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, 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 arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

#### **1. Historical financial performance of the Group**

The principal activity of the Company is investment holding. The Group is principally engaged in (i) catering services in Hong Kong and the PRC; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; and (iv) money lending business.

Set out below is a summary of the financial information on the Group for each of the financial years ended 31 December 2014 and 2015 respectively:

#### ***For the year ended 31 December 2015***

As set out in the annual report of the Company for the year ended 31 December 2015 (the “AR 2015”), the Group recorded a revenue of approximately HK\$465.7 million for the year ended 31 December 2015, which is similar to the revenue of approximately HK\$464.9 million for the year ended 31 December 2014. As noted from the AR 2015, although the revenue from the catering services recorded a drop from approximately HK\$405,215,000 for the year ended 31 December 2014 to HK\$371,588,000 for the year ended 31 December 2015, the negative impact was diminished by (i) the food products operation, with its revenue fully accounted in the financial year ended 31 December 2015 while it was accounted for only eight months for the financial year ended 31 December 2014 after its acquisition on 1 May 2014; and (ii) the interest income of approximately HK\$3,413,000 generated from the money lending business segment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The profit attributable to owners of the Company for the year ended 31 December 2015 was approximately HK\$90.2 million, representing an increase of approximately 10.6% as compared to the profit attributable to owners of the Company of approximately HK\$81.6 million for the year ended 31 December 2014. As disclosed in the AR 2015, the increase was mainly attributable to the unrealized gain from financial assets at fair value through profit or loss and the share of profit of an associate, amounting to approximately HK\$122,160,000 (net of profits tax of approximately HK\$29,164,000) and HK\$11,653,000 respectively.

### ***For the year ended 31 December 2014***

As set out in the annual report of the Company for the year ended 31 December 2014 (the “**AR 2014**”), the Group recorded a revenue of approximately HK\$464.9 million for the year ended 31 December 2014, representing an increase of approximately 20.4% as compared with a revenue of approximately HK\$386.3 million for the year ended 31 December 2013. As understood from the AR 2014, the increment was mainly attributable to the growth in comparable restaurant sales in certain shops, the contribution from the Red Seasons Aroma Restaurant (“**Red Seasons**”) in Sai Wan and the newly acquired food products operation.

The profit attributable to owners of the Company for the year ended 31 December 2014 was approximately HK\$81.6 million, representing an increase of approximately 243.6% as compared with the profit attributable to owners of the Company of approximately HK\$23.8 million for the year ended 31 December 2013. As disclosed in the AR 2014, the significant increases were mainly attributable to the realized and unrealized gain from financial asset at fair value through profit or loss, amounting to HK\$94.5 million.

## **2. Information on and the historical financial performance of the Disposal Group**

The Target Company, a wholly-owned subsidiary of the Company, is a company incorporated in Samoa with limited liability on 30 September 2010 and the entire issued share capital of which is directly and wholly-owned by the Company as at the date of the Sale and Purchase Agreement. The principal activity of the Target Company is investment holding.

The Disposal Group, comprising the Target Company and 13 subsidiaries, is principally engaged in operating full-service Chinese restaurants in Hong Kong and is recognised for delivering Chinese cuisine and Chinese wedding banquet and dining services. The Disposal Group is also engaged in small scale of securities investment, with a market value of approximately HK\$30.81 million as at 31 March 2016. As at the Latest Practicable Date, the investment portfolio of the Disposal Group comprises debt securities listed in Hong Kong and the United States of America, equity securities and exchange traded funds listed in Hong Kong and unlisted funds in Luxemburg.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the unaudited consolidated financial information of the Disposal Group for the years ended 31 December 2013, 2014 and 2015 prepared under the Hong Kong Financial Reporting Standards as extracted from Appendix II to the Circular:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	375,149	401,784	381,373
(Loss)/profit before tax	(20,410)	9,493	30,476
(Loss)/profit after tax	(23,759)	4,988	25,082

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total assets	177,082	125,737	175,678
Total liabilities	135,034	59,030	113,059

### ***Unaudited consolidated results for the year ended 31 December 2015***

From the table above, the Disposal Group recorded a decrease in revenue to approximately HK\$375.15 million for the year ended 31 December 2015 from approximately HK\$401.78 million for the year ended 31 December 2014, representing a decrease of approximately 6.63%. As advised by the Company, the reduction in revenue was due to the deteriorated performance of the Chinese restaurants business which was adversely affected by the unfavorable market conditions in Hong Kong.

For the year ended 31 December 2015, the Disposal Group made a loss after tax of approximately HK\$23.76 million as compared to a profit after tax of approximately HK\$4.99 million for the year ended 31 December 2014. As advised by the Company, the reasons for the Disposal Group making the loss were because (i) the lackluster performance of the Chinese restaurants in Hong Kong due to the unfavourable market conditions, leading to a loss after tax of approximately HK\$17.4 million; and (ii) the impairment losses on property, plant and equipment from the loss-making restaurants of approximately HK\$8.46 million.

As at 31 December 2015, the Disposal Group operated nine restaurants under three brands and set out below are their performances as extracted from the AR 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Red Seasons*

During the financial year ended 31 December 2015, the revenue of Red Seasons decreased by around 6% to approximately HK\$221,870,000 (2014: HK\$236,898,000).

### *Plentiful Delight Banquet Restaurant (“**Plentiful Delight Banquet**”)*

During the financial year ended 31 December 2015, Plentiful Delight Banquet recorded a drop in revenue of approximately 11% to HK\$79,741,000 (2014: HK\$89,856,000), which was in line with the drop in Red Seasons.

### *Red Royalty Banquet Restaurant (“**Red Royalty**”)*

During the financial year ended 31 December 2015, Red Royalty generated revenue of approximately HK\$69,883,000 (2014: HK\$66,691,000). Revenue from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty decreased slightly by approximately 4% as compared to the financial year ended 31 December 2014.

### *The investment portfolio of the Disposal Group*

As advised by the Company, the investment portfolio of the Disposal Group for the financial year ended 31 December 2015 comprises of securities listed in Hong Kong and the United States of America, equity securities and exchange traded funds listed in Hong Kong and unlisted funds in Luxemburg of approximately HK\$33.57 million (2014: NIL).

### ***Unaudited consolidated results for the year ended 31 December 2014***

From the table above, the Disposal Group recorded a slight increase in revenue of approximately HK\$401.78 million for the year ended 31 December 2014 from approximately HK\$381.37 million for the year ended 31 December 2013, representing an increase of approximately 5.35%. As advised by the Company, the increase was primarily due to (i) the growth in comparable restaurant sales in certain shops; and (ii) a full year contribution from the Red Seasons in Sai Wan as compared to a three month contribution in 2013.

The profit after tax of the Disposal Group decreased by approximately 80.1%, from approximately HK\$25.08 million for the year ended 31 December 2013 to approximately HK\$4.99 million for the year ended 31 December 2014. As advised by the Company, such decrease in profit was mainly due to (i) the deteriorated restaurant operation results due to the increase in food, rental and staff costs; (ii) the negative effect of the Occupy Central movement, especially to the Hong Kong Island Red Seasons; and (iii) an one-time written-down arising from renovation of the Olympian City restaurant.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2014, the Disposal Group operated nine restaurants under three brands and set out below are their reviews as noted from the AR 2014.

### *Red Seasons*

During the financial year ended 31 December 2014, the revenue from the Red Seasons restaurants increased by around 14% to approximately HK\$236,898,000 as compared to the financial year ended 31 December 2013. This is mainly attributable to Sai Wan Red Seasons, which operated a full year in 2014 instead of three months in 2013. Excluding the effect of Red Seasons in Sai Wan, the revenue increased by approximately 5%.

### *Plentiful Delight Banquet*

During the financial year ended 31 December 2014, Plentiful Delight Banquet recorded revenue of approximately HK\$89,856,000, which was similar to the performance for the financial year ended 31 December 2013 of approximately HK\$89,147,000.

### *Red Royalty*

During the year ended 31 December 2014, Red Royalty generated revenue of approximately HK\$66,691,000. Revenue from banquet and dining services generated from Plentiful Delight Banquet and Red Royalty decreased slightly by approximately 5% as compared to the financial year ended 31 December 2013.

### *The investment portfolio of the Disposal Group*

As advised by the Company, the investment portfolio of the Disposal Group for the financial year ended 31 December 2014 was nil.

Based on the abovementioned financial information of the Disposal Group for the financial years ended 31 December 2013, 2014 and 2015, we are of the view that the performance of the Disposal Group has been demonstrating a declining trend in recent years.

### **3. Reasons for the Disposal and use of proceeds**

As set out in the Letter from the Board, as at the Latest Practicable Date, the Disposal Group is operating 8 restaurants under 3 brands, namely Red Seasons, Plentiful Delight Banquet and Red Royalty. There are a total of 6 restaurants under the brand of Red Seasons, which mainly situate in the residential area in Lam Tei Tuen Mun, Waldorf Garden Tuen Mun, Tsuen Wan, Sha Tin, Wan Chai and Olympian City and are serving Chinese cuisine including Cantonese dim sum and main courses, fresh seafood delicacies and specialty Chinese cuisine such as roast suckling pigs and traditional walled village cuisine. Plentiful

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Delight Banquet and Red Royalty are both located in Yuen Long with a seating capacity of around 100 banquet tables in each restaurant, which are ideal for Chinese wedding banquet and large-scale banquet events.

As further set out in the Letter from the Board, in the past few years, the operating and economic environment for restaurant industry was deteriorating. The top challenges faced by the catering services of the Disposal Group include high food costs, high rent and high labour costs for recruiting and retaining employees. As the target customers of the Chinese restaurants of the Disposal Group are the customers in the neighborhood who desire quality food and special Chinese cuisine at competitive prices, the restaurants always try to offset rising prices by cutting costs rather than passing them on to customers. The unfavorable operating environment of the Disposal Group has led to a declining financial performance as discussed in the above section “Information on and the historical financial performance of the Disposal Group”, with the Disposal Group turning into a loss after tax of approximately HK\$23.76 million for the year ended 31 December 2015 as compared to a profit after tax of approximately HK\$25.08 million for the year ended 31 December 2013.

In addition, as understood from the Directors, the fluctuation in the Hong Kong and PRC financial market, the deteriorating political polarization and the increasing rental trend in Hong Kong have also placed great pressure on the operations of the Disposal Group.

We understand that the trend of the Hong Kong stock market fluctuated during the past few years which have directly affected the sentiment of the local consumers. The trading turnover in 2012 touched the lowest due to the uncertainties raised from the European debt crisis. Afterwards, with the launch of the Shanghai-Hong Kong Stock Connect programme and news that Mainland-Hong Kong Mutual Recognition of Fund Initiative, Hang Seng Index (“**HSI**”) reached a seven-year high of 28,588.52. Nevertheless, the Greek debts crisis and an unexpected RMB fluctuation, the HSI was adjusted accordingly in the third quarter of 2015. Since 2016, the Hong Kong stock market has seen a considerable drop from the close of 21,914.4 points (on 31 December 2015) and the HSI has recently closed to levels near the 2012 levels of around 20,118 points due to the fears of China’s continued economic slide which started to cause capital outflows, exchange rate depreciation and asset market selloff.

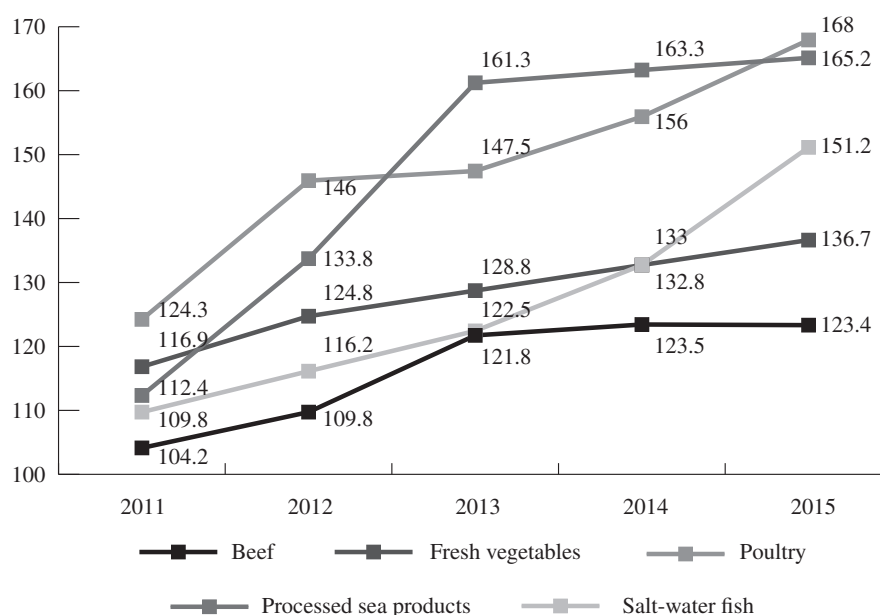
Politically, the Occupy Central movement which happened from late September 2014 to early December 2014, with thousands of Hong Kong residents protested outside key government buildings and occupied several major city intersections, causing major disruption to traffic and trade in the affected areas and the violent clashes broke out between police and protesters occurred in Mong Kok, Hong Kong on 8 February 2016, have strongly deteriorated the social stability of Hong Kong, which have directly weakened the local consumer sentiments.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, as noted from the Rating and Valuation Department of The Government of the Hong Kong Special Administrative Region (<http://www.rvd.gov.hk/>), the average monthly rental for private retail in Hong Kong Island, Kowloon and New Territories have risen from approximately HK\$1,230 per square meter, HK\$1,262 per square meter and HK\$1,040 per square meter in March 2011 to approximately HK\$1,948 per square meter, HK\$1,313 per square meter and HK\$2,030 per square meter in March 2016 (tentative figures), representing a compound annual growth rate of approximately 9.63%, 0.8% and 14.31% respectively.

According to the Hong Kong Census and Statistics Department, the restaurants in Hong Kong can be classified into 5 categories, including Chinese restaurants, non-Chinese restaurants, fast food shops, bars and other eating and drinking places. In 2015, there were approximately 9,718 food business licenses for general restaurant granted by the Hong Kong government, as compared to approximately 9,282 food business licenses in 2014. In addition, the total receipts generated from the Hong Kong restaurants in 2015 was approximately HK\$104.33 billion, representing a growth of approximately 3.9% as compared to 2014 of approximately HK\$100.42 million and amongst all the restaurants in Hong Kong, the Chinese restaurants have contributed the most of approximately HK\$47 billion.

Beef, poultry, fresh vegetables, salted-water fish and processed sea products are some of the most frequently used products in Chinese restaurants and the changes of price of these raw materials will cause a direct impact on the profit margin of the Chinese restaurants. According to the Hong Kong Census and Statistics Department, for the period from 2011 to 2015, all of the five food categories as mentioned above recorded an increase in cost as depicted in the graph below:



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, following the commencement of the Statutory Minimum Wage in 2011 and subsequent revision in May 2015, the minimum wage rate rose from HK\$28.0 per hour to HK\$32.5 per hour and this increment has directly caused the increase in wage of workers within the catering industry, which has exerted extra pressure to the business operations within the industry.

Given the abovementioned information in relation to the catering industry in Hong Kong, despite the total receipts generated from the Hong Kong restaurants in 2015 recorded a slight increase of approximately 3.9%, we concur with the Directors that the business operation of the Disposal Group is encountering huge pressure brought by the political and market instability of Hong Kong and in addition, the rise in costs of the raw materials and wages also exert adverse effect on the business on the long term perspective.

As further advised by the Directors, they have the following opinions after analysing on the costs and benefits on the options that (a) the Company keeps operating the business of the Disposal Group; and (b) the Company proceeds with the proposed Disposal:

- (i) based on the previous expenses record of the Group, the cost of refurbishment for a restaurant is estimated to range from approximately HK\$1.3 million to approximately HK\$18.7 million, depending on the size of the restaurant and the scale of refurbishment. It is expected that the related capital expenditure for the Disposal Group in the coming two years would amount to approximately HK\$41.8 million, which, in turn, would further aggravate the weakening performance of the Disposal Group. Details of the breakdown of the capital expenditure for the Disposal Group is set out in the Letter from the Board;
- (ii) should the Company keep operating the Chinese restaurant business, apart from continuous operating loss, the Group will have to make substantial capital commitment due to refurbishment of certain restaurants whose rental contracts will expire and subject to renewal in the upcoming few years;
- (iii) according to the statistics published by the Hong Kong Census and Statistics Department, the volume index of total receipts of the restaurants sector decreased gradually from 2013 to 2015, which indicates that the overall number of dining transactions declined in line with the economic change in Hong Kong. The survey conducted by the Hong Kong Census and Statistics Department also shows that significantly more respondents in the food services sector expect the business situation to be getting worse in 2016. The Directors are even more pessimistic with the prospects of the Chinese restaurant business in view of the negative market sentiment and macro-economic conditions in Hong Kong in 2016 as the market forecasts; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) on the contrary, upon completion of Disposal, the Remaining Group could focus on developing other businesses with higher growth potential, such as the money lending business. The Board believes that (i) the businesses in the Remaining Group can serve as a better driver for the Group's performance with solid revenue stream and capital gain potentials; and (ii) the sale proceeds arising from the Disposal can be immediately used for expansion of money lending business which has been growing in a rapid pace. The Group could streamline its operations and could better allocate its financial resources.

As advised by the Company, they are of the view that number of sizeable chained restaurants within the catering segment is limited and information of these restaurants will spread quickly between the Disposal Group's competitors, suppliers, customers etc... and the Company considers that these information are highly material and price sensitive and will affect the morale of the workforce of the Disposal Group negatively and therefore the Company did not actively approach any independent potential buyer(s). In addition, upon arm's length negotiation between the Company and the Purchasers, the Purchasers are willing to acquire the Sale Shares and the Sale Loan at the preliminary Consideration of HK\$49 million and after the Board has taken into consideration of the adverse factors and business environment as mentioned above, including but not limited to the huge pressure brought by the political and market instability of Hong Kong, the Board (excluding Mr. Wong and Ms. Lau) is of the view that the Consideration is fair and reasonable and in the interest of the Company as the Board can dispose the loss making business in a timely manner and subsequently utilize the net proceeds for the Remaining Group's money lending business and put more focus on the dessert catering business. Moreover, with reference to the analysis as set out in the section "Comparables analysis" below, we also concur with the Company that the Consideration (with reference to the implied P/B Ratio) is fair and reasonable given the current market valuation and pricing of shares on the other listed companies within the industry.

Having considered (i) the deteriorating results of the Disposal Group which has already exerted a significant pressure on the overall profitability of the Group; (ii) the estimated capital expenditures to be undertaken by the Group as mentioned above; and (iii) the unfavourable market conditions surrounding the restaurant business in Hong Kong, the Board considers that the Disposal represents a good opportunity not only to dispose of its loss-making business but also to unlock the maximum value of the catering services of the Disposal Group for the Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Remaining Group*

As set out in the Letter from the Board, following the Disposal, the remaining businesses of the Group will comprise food products operation, money lending business, dessert catering business and investment in securities.

As disclosed above, the Board believes that (i) the businesses in the Remaining Group can serve as a better driver for the Group's performance with solid revenue stream and capital gain potentials; and (ii) the sale proceeds arising from the Disposal can be immediately used for expansion of money lending business which has been growing in a rapid pace. It is expected that the Company will receive net cash proceeds of approximately HK\$47.27 million (after deduction of transaction costs and expenses) from the Disposal. The Group intends to apply approximately 90% of such proceeds (approximately HK\$42.54 million) for the expansion of money lending business and the remaining HK\$4.73 million as general working capital of the Group.

Since the commencement of the money lending business in June 2015, the Group's money lending business has grown in a rapid pace. Based on the AR 2015, it has generated interest income of approximately HK\$3.41 million and recorded a segment profit of approximately HK\$2.86 million during the year ended 31 December 2015. The growth of the money lending business has exceeded the Group's expectation. Since the start of the money lending business, an aggregate loan of approximately HK\$234.34 million has been built up by the Remaining Group, of which approximately HK\$106.16 million was repaid by its customers as at 31 December 2015. As advised by the Directors, up to 31 March 2016, the Remaining Group has outstanding loans of approximately HK\$150.92 million to 15 customers. All the loans advanced by the Remaining 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.

In Hong Kong, participants in the money lending industry primarily comprise authorised institutions and licensed money lenders. Authorised institutions include licensed banks, restricted licensed banks and deposit taking companies and they are subject to the supervision of Hong Kong Monetary Authority ("HKMA") and the regulations under the Banking Ordinance. On the other hand, licensed money lenders and regulation of money lending transactions of such lenders are governed by Money Lenders Ordinance and they enjoy greater flexibility in their business operations in terms of loan sizes, requirement of income proof and the range of collateral acceptable for securing loans. Based on the list of existing money lenders licensees as maintained by the Registrar of Companies in Hong Kong, there were roughly 1,690 licensed money lenders (including applications for renewal in progress) in Hong Kong as at 31 March 2016, representing an increase of approximately 20.71% as compared to the number of the licensed money lenders as at 31 August 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have tried to conduct researches on the money lending industry in Hong Kong however we found out that information and statistics with regards with this industry are generally not made available through official public sources and there are no official market research and information from relevant government department conducted on the licensed money lenders in Hong Kong. However, the statistics of loans and advances granted by Authorised Institutions as recorded by HKMA can act as an indicator of the credit market growth. Loans and advances for use in Hong Kong refer to the credit facilities made available or disbursed in Hong Kong to borrowers with a place of residence or a principal place of business in Hong Kong. In particular, the amount of loans and advances granted by Authorised Institutions for use in Hong Kong (include both Hong Kong and foreign dollar) has been growing over the past few years and reached a total of approximately HK\$7,522 billion as at March 2016, representing an increase of 0.70% as compared to February 2016 of approximately HK\$7,470 billion. Overall, the compound annual growth rate (“CAGR”) of loans and advances was approximately 8.19% from 2011 to 2016.

Moreover, we consider that the money lending industry in Hong Kong is affected by, *inter alia*, the general economic conditions in Hong Kong. According to the Census and Statistics Department of Hong Kong, the economy of Hong Kong has grown steadily over the past few years and gradually recovered from the global financial crisis in 2008. The gross domestic products in Hong Kong has increased from HK\$1,659,245 million in 2009 to HK\$2,258,225 million in 2014, representing a CAGR of 6.36% and according to the preliminary figure, the gross domestic products of Hong Kong in 2015 is approximately HK\$2,402,506 million, representing a growth of approximately 6.39% as compared to 2014.

As further set out in the Letter from the Board, the Remaining Group is also in the course of negotiating with different potential franchisees for expanding its dessert catering business under the trademark “Lucky Dessert 發記甜品” to other areas in the PRC, and has been approached by potential franchisees for running the dessert catering business in other cities such as Beijing, Shanghai and Xian, the PRC and other countries in Southeast Asia. As advised by the Directors, upon Disposal, save for the money lending business, the Group is able to place more focus into this business segment, and the Board believes that the potential of dessert catering business with a brand name from Hong Kong is huge in the mainland China, as a Hong Kong brand name generally delivers higher confidence to the PRC consumers.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On top of the brand recognition which differentiates the Remaining Group's dessert catering business in PRC, according to the data from the National Bureau of Statistics of the PRC (the "National Bureau") ([www.stats.gov.cn](http://www.stats.gov.cn)), we noticed that (i) the gross domestic products of the PRC increased from approximately RMB48,412.4 billion in 2011 to approximately RMB67,670.8 billion in 2015, representing a CAGR of approximately 8.73%; (ii) the number of urban population, defined as population residing in cities and town, has been increasing and during the span of 2011 to 2015, the number of urban population has increased from approximately 690.8 million people to approximately 771.1 million people, representing a CAGR of approximately 2.79%; and (iii) China's per capita disposable income reached RMB21,966 in 2015, as compared to RMB14,551 in 2011. Furthermore, the revenue generated from catering industry grew from RMB268.64 billion in 2009 to RMB461.53 billion in 2014 with a CAGR of approximately 11.43%. The upward trend is expected to be continued due to several favorable factors, namely economic growth and disposable income, population growth and rapid urbanization and changing consumer behavior. With increasing amount of household choose out-dining instead of home-dining, it further fuels the catering service industry in the PRC.

As disclosed in the Company's circular date 27 March 2015 in relation to the acquisition of the Lucky Dessert Group, it was indicated that the first to second tier cities in the PRC with high disposal income would provide great demand for dessert catering business from (i) the growing trend of dessert catering business in the PRC (where the percentage of dessert catering business out of the overall catering business in the PRC increased 21% from 2011 to 2014), in particular for restaurants located in shopping malls and department stores of first tier cities in the PRC; and (ii) the success of the dessert catering business brought by marketing strategies developed by major competitors through the internet and social media.

As understood from the Directors, it is anticipated that the scale of the food products operation and the securities investment business of the Remaining Group shall remain the same as those prior to the Disposal.

Given that the (i) the deteriorating financial performance and position of the Disposal Group; (ii) the fluctuation of Hong Kong and PRC financial market which reduced local consumers' spending sentiment; (iii) the high level of rental cost in Hong Kong; (iv) the positive outlook of the money lending and dessert catering business which will be the major business focus of the Remaining Group; and (v) the Remaining Group can put more time and financial focus on the segments with greater potential upon Disposal, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Terms and conditions of the Sale and Purchase Agreement

#### *Asset to be disposed of*

Pursuant to the Sale and Purchase Agreement, the Purchasers have conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan. The Sale Shares represent the entire issued share capital of the Target Company. The Sale Loan represents all the liabilities, obligations and indebtedness due by Disposal Group to the Remaining Group on or at any time prior to the Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on Completion. As at 31 December 2015, there was an amount of approximately HK\$92.68 million due by the Disposal Group to the Remaining Group.

#### *Debt restructuring*

It is intended that the Disposal Group will repay all intra-group loans due by the Disposal Group to the Remaining Group in cash on or before the Long Stop Date. When the Disposal Group uses any of its cash to repay the intra-group loans on or before Long Stop Date, the total assets of the Disposal Group and the outstanding amount due to the Remaining Group will be decreased to the same extent thus there will be no impact on the Consideration.

In the event that there is an amount due by the Remaining Group to the Disposal Group upon completion of Debt Restructuring, such outstanding amount will be deducted from the Consideration. As at the Latest Practicable Date, the amount due by the Remaining Group to the Disposal Group was nil. Based on (i) the Disposal Group's cash and cash equivalents amounted to approximately HK\$82.12 million as at 31 December 2015; and (ii) the net intra-group loan of the Disposal Group from the Remaining Group amounted to approximately HK\$92.68 million as at 31 December 2015, as extracted from Appendix II to this circular, the Company expects that there will be Sale Loan of approximately HK\$10.56 million upon completion of Debt Restructuring. However, the final Consideration is still subject to the adjustments of the Completion NAV and the Sale Loan as at the Completion Date.

In the event that there is insufficient cash to repay the amount due by the Disposal Group to the Remaining Group upon completion of Debt Restructuring, such outstanding amount will form part of the Consideration as the Sale Loan.

The Debt Restructuring, being one of the Conditions Precedent, must be completed by the Long Stop Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***The Consideration & payment method***

The preliminary Consideration is HK\$49 million, which is subject to adjustment, payable in cash and shall be satisfied in the following manner:

- (i) HK\$15 million shall be payable by the Purchasers to the Company or its nominee on the Completion Date; and
- (ii) balance of the Consideration shall be payable by the Purchasers to the Company or its nominee within ten (10) Business Days from the date of the Certificate.

Pursuant to the Sale and Purchase Agreement, the Consideration shall be adjusted and be equal to the total sum of the Completion NAV and the Sale Loan. As such, upon Completion, the Company will prepare the Completion Accounts based on the management accounts of the Disposal Group as at the Completion Date, so as to determine the amount of Consideration. The audited financial information of the Disposal Group, on which the Completion NAV and the Sale Loan will be based and determined, will be disclosed in the notes to the audited financial statements of the Group for the year ending 31 December 2016. The Company will then procure an independent practising accountant to review the Completion Accounts and issue the Certificate on or before 31 May 2017, to confirm the amount of the Completion NAV and Sale Loan as at the Completion Date. The Purchasers shall provide and procure the Disposal Group and its agents to provide such assistance as the Company or its agents may reasonably require in connection with the preparation of the Completion Accounts.

### ***Basis on the Consideration***

As stated in the Letter from the Board, the Consideration (including the adjustment by Completion NAV) was determined after arm's length negotiations between the Company and the Purchasers and taken into account the following factors, including (i) the operating and financial performance of the Disposal Group; (ii) the prospects of and competition to be faced by the Disposal Group; (iii) the earnings outlook of the Chinese restaurant business in Hong Kong; and (iv) the book value of the net assets (including the Sale Loan) of HK\$48.30 million of the Disposal Group attributable to the Group, based on the management accounts of the Disposal Group as at 30 September 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparables analysis*

In assessing the fairness and reasonableness of the preliminary Consideration, it is a general practice to apply commonly used benchmarks for evaluating the value of companies. We have considered applying the price-to-earnings ratio (the “**P/E Ratio**”) and the price-to book ratio (the “**P/B Ratio**”) in our analysis. Given that the Disposal Group recorded loss for the financial year ended 31 December 2015, we consider the analysis of P/E Ratio not applicable. We have identified 6 comparable companies listed on either the main board of the Stock Exchange or Growth Enterprises Market (the “**Business Comparables**”), which are (i) principally engaged in food and beverage related businesses; and (ii) the market capitalization on 9 March 2016, being the last trading day prior to the date of entering the Sale and Purchase Agreement (the “**Last Trading Day**”), of less than HK\$500 million, for comparison purposes. The list is exhaustive and we consider the Business Comparables are fair and representative comparables to the Company. Shareholders should note that the business, operation and prospect of the Company are not exactly the same as the Business Comparables and we have not conducted any in-depth investigation into the business and operations of the Business Comparables save for the aforesaid selection criteria. Nevertheless, the Business Comparables can still be a meaningful reference in assessing the fairness and reasonableness of the Consideration. The market capitalization and the P/B Ratio of the Business Comparables are based on the respective share prices, the total issued shares and the latest respective net asset values attributable to shareholders as disclosed in their latest published annual/interim reports and/or annual/interim results announcements on the Last Trading Day. Our relevant finding is summarised in the table below.

Business Comparables (Stock code)	Principal businesses	Market capitalization as at the Last Trading Day	Net assets value attributable to the shareholders (Note 1)	P/B Ratio (times) (Note 2)
Vongroup Ltd. (318)	Financial services businesses, securities businesses, property businesses, technology & media businesses and food & beverage businesses.	HK\$236,376,556	HK\$282,051,000	0.84
Future Bright Holdings Ltd. (703)	Sales of food and beverage and food souvenir and property investment.	HK\$423,524,477	HK\$1,149,817,000	0.37

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Business Comparables (Stock code)	Principal businesses	Market capitalization as at the Last Trading Day	Net assets value attributable to the shareholders (Note 1)	P/B Ratio (times) (Note 2)
FU JI Food and Catering Services Holdings Ltd. (1175)	Provision of catering services and sale of convenience food products and related business.	HK\$347,542,482	HK\$284,905,100	1.22
U Banquet Group Holding Ltd. (1483)	Operation of a chain of Chinese restaurants, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat in Hong Kong.	HK\$302,250,000	HK\$96,506,000	3.13
Epicurean and Co., Ltd. (8213)	Provision of food and beverage services.	HK\$322,184,200	(HK\$7.98 million) (Note 3)	N/A
Chinese Food and Beverage Group Ltd. (8272)	Local catering business.	HK\$107,257,080	(HK\$124.45 million) (Note 3)	N/A
			<b>Minimum</b>	0.37
			<b>Maximum</b>	3.13
			<b>Mean</b>	1.39
<b>The Disposal Group</b>		<b>HK\$49,000,000</b> (Note 4)	<b>HK\$48,300,000</b>	<b>Implied P/B:</b> <b>1.01</b> (Note 5)

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

- (1) Based on the latest financial data as published in the respective annual/interim results announcement/report by the Last Trading Day.
- (2) P/B Ratio of the Business Comparables are calculated based on their respective market capitalization as at the Last Trading Day divided by the net asset value attributable to owners of the Business Comparables as extracted from their respective latest annual/interim results announcement/report.
- (3) Epicurean and Co., Ltd. (8213) and Chinese Food and Beverage Group Ltd. (8272) has recorded net deficit as shown on their latest financial data as published in the respective annual/interim results announcement/report by the Last Trading Day
- (4) The preliminary Consideration has been used as the implied market capitalization of the Disposal Group.
- (5) The implied P/B Ratio of the Company is calculated as the Consideration divided by the net asset value attributable to the shareholders of the Disposal Group as at 30 September 2015.

As illustrated in the above, the P/B Ratio of the Business Comparables ranged from approximately 0.37 times to approximately 3.13 times. The average of the P/B Ratio of the Business Comparables is approximately 1.39 times. The implied P/B Ratio of the Disposal Group, based on the Consideration, are approximately 1.01 times, which are within the range of the Business Comparables' P/B Ratio and lies close to the average of the P/B Ratio of the Business Comparables. As such, we consider the Consideration, with reference to the above implied P/B Ratio, is fair and reasonable given the current market valuation and pricing of shares on the other listed companies in the industry.

We note that the Consideration represents approximately the same to the sum of the equity interests attributable to the unaudited consolidated net asset value of the Disposal Group and the unaudited amount of the Sale Loan as at 30 September 2015 amounting to approximately HK\$48.3 million in aggregate. Given that (i) the deteriorating financial performance of the Disposal Group, (ii) the challenges faced by the Disposal Group on the uncertainty of the prospects of the catering business industry in Hong Kong; (iii) the high level of rental costs for the Disposal Group; (iv) the favorable prospects of the core businesses of the Remaining Group; (v) the fact that the Remaining Group can put focus on the segments with higher potential growth; and (vi) the implied P/B Ratio on the Consideration is within the range and lie close to the average of the Business Comparables, we are of the view that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Financial Effect on the Disposal

Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Group and their financial results will not be consolidated into the financial statements of the Group.

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this Circular, the estimated loss on the Disposal is approximately HK\$1.73 million, which is calculated based on (i) the cash consideration of approximately HK\$41.12 million; (ii) the net asset of the Disposal Group attributable to the Group (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2015 which amounted to approximately HK\$41.12 million (being calculated at 100% share of the net asset of the Disposal Group of approximately HK\$42.05 million after deducting those attributable to the non-controlling interests of approximately HK\$930,000); and (iii) the estimated legal and other professional expenses relating to the Disposal of approximately HK\$1.73 million, as if the Disposal had been completed on 31 December 2015.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this Circular, the Group's total assets would decrease by approximately 5.2% from approximately HK\$855.18 million to HK\$810.83 million, and the Group's total liabilities would decrease by approximately 18.2% from approximately HK\$228.78 million to HK\$187.08 million. The Group's net assets would decrease by approximately 0.4% from approximately HK\$626.40 million to HK\$623.74 million and the Group's cash and cash equivalents including pledged bank deposits, would increase by approximately 48.3% from approximately HK\$100.19 million to HK\$148.61 million assuming the Disposal had been completed on 31 December 2015.

The actual gain or loss arising from the Disposal may be different from the above and shall be subject to the review by auditor and determined based on the amount of the consolidated net assets/liabilities (as the case may be) of the Disposal Group and the amount of the Sale Loan as at the Completion Date and the amount of expenses incidental to the Disposal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder is on normal commercial terms, but is not in the ordinary and usual course of business of the Company. The terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and Shareholders as a whole. Therefore, we advise (i) the Independent Shareholders and, (ii) the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Note:*

Ms. Julisa Fong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 19 years of experience in investment banking and corporate finance.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 are disclosed on pages 39 to 94 of the 2013 annual report published on 30 March 2014, pages 37 to 114 of the 2014 annual report published on 30 March 2015, pages 45 to 144 of the 2015 annual report published on 30 March 2016 and pages 4 to 26 of the 2016 first quarterly report published on 13 May 2016 respectively, which are published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.foodidea.com.hk>). Please refer to the hyperlinks as stated below:

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2014/0330/GLN20140330003.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0330/GLN20150330337.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330391.pdf>

2016 first quarterly report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0513/GLN20160513167.pdf>

**2. INDEBTEDNESS STATEMENT****Statement of indebtedness**

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Circular, the indebtedness of the Group was as follows:

**(i) Secured bank borrowings**

The Group had outstanding bank loans of approximately HK\$33,776,000, which were secured by the Remaining Group's pledged bank deposits, financial assets at fair value through profit or loss, leasehold land and building, limited guarantees by Hong Kong Mortgage Corporation Limited and the government of the Hong Kong Special Administrative Region and unlimited guarantees by a non-controlling shareholder and a director of a subsidiary of the Remaining Group.

**(ii) Unsecured other borrowings**

The Group had outstanding unsecured other borrowings of approximately HK\$1,400,000 advanced from a non-controlling interest of the Group.



***(iii) Other indebtedness***

The Group had outstanding consideration payable of approximately HK\$96,000,000 to Mr. Wong Tai Chun, son of Mr. Wong and Ms. Lau, the executive Directors and the Purchasers.

With reference to the circular dated 27 March 2015, the Group has acquired the entire equity interest in Brilliant Forever Limited (“Brilliant Forever”) from Mr. Wong Tai Chun at a maximum consideration of HK\$100,000,000. The consideration was satisfied by HK\$4,000,000 in cash and the remaining part of the consideration was capped at HK\$96,000,000 and is subject to downward adjustment in proportion to a valuation of Brilliant Forever (including the 49% equity interest of the Lucky Dessert (China) Holdings Limited and its subsidiaries, collectively referred to as the “Target Group”) as at 31 December 2015 (“2015 Valuation”) compared to the valuation of the Target Group as at 31 October 2014 (“2014 Valuation”) and shall be payable by the issuance of promissory note of the Company. Based on the 2015 Valuation, the consideration payable is HK\$96,000,000. On 1 April 2016, the Group has issued the promissory note in amount of HK\$96,000,000 to Mr. Wong Tai Chun.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 March 2016, being the Latest Practicable Date for determining Group’s indebtedness up to the date of this Circular.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**4. WORKING CAPITAL**

The Directors are of the opinion that, taking into consideration the Group’s internal resources, the existing available banking facilities and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

**5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**

The Remaining Group is and will continue to be principally engaged in the food products operation, money lending business, dessert catering business and investment in securities. It is stated in the “Letter from the Board” contained in this circular that the Board is optimistic about the future prospects of the Remaining Group and expects that revenue from the food products operation and money lending business will be the principal sources of income of the Remaining Group going forward.

In 2012, Happy Credit Limited, a direct wholly-owned subsidiary of the Company, was established by the Company and granted with the money lender licence to conduct money lending business in Hong Kong. The Remaining Group was positive towards operating the money lending business and considered that diversification into money lending business would provide another stream of income to maximise returns to the Shareholders. During the year of 2015, the demand for loan has been increasing and the money lending industry is vibrant in Hong Kong, the Remaining Group therefore intends to allocate more resources to develop its money lending business, at the same time, the Remaining Group will strengthen the risk assessment procedures, which could improve the control of credit risk as well as reinforce the loan portfolio quality. The enhancement of risk assessment will also enable the Remaining Group to make financing decisions based on the credit evaluation on customers instead of merely relying on their collateral provided. The Board considers that such development of money lending business will enhance returns to the Shareholders in the long run.

In respect of the financial and trading prospects of other existing businesses of the Remaining Group for the current year, the Remaining Group will reach out to additional customers in local supermarkets and achieve economies of scale through the bulk purchases from the suppliers in order to further develop its business of food products operation.

Regarding the business of investment in securities, the investment portfolio had suffered from the dramatic volatility of the market thus the management had cut losses on certain investments which were in vulnerable position and kept those which were better performed in this financial environment. The Remaining Group will continue to monitor the existing positions closely to maximise the return prospect for the investments.

For the dessert catering business, the Remaining Group will continue to expand its business in the PRC and other countries in Southeast Asia. However, the Remaining Group will focus on the grant of the franchise right but will not directly set up and operate its own dessert restaurant in Singapore, which could minimise the business risk and capital commitment of the Group in Singapore.

Looking forward, the Remaining Group is faced with challenges that lie ahead given that the economic environment remains unstable. As such, and to cope with various uncertainties, the Company will continue to enhance the Remaining Group's businesses through review of its existing business portfolio from time to time. With a view of the healthy financial position and low gearing ratio of the Remaining Group, the Board is confident that the Remaining Group has sufficient financial resources on hand, and the liquidity available, to continue to maximise the Shareholders' value as the economy recovers.

## **6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP**

The followings are the management discussion and analysis of the Remaining Group for the years ended 31 December 2013, 2014 and 2015.

### **For the year ended 31 December 2013**

#### ***Business and financial review***

For the year ended 31 December 2013, the Remaining Group recorded a revenue of approximately HK\$4.91 million, which was derived from the restaurant business in Wan Chai under the brand of Home-made Cuisine. Profit attributable to shareholders of the Remaining Group amounted to approximately HK\$13.41 million, which was mainly attributable to (i) the dividend income from the Target Company; (ii) the management fee from subsidiaries of the Disposal Group; and (iii) the administrative expenses of the Remaining Group, including directors' fees and staff costs, and legal and professional fees incurred during the year.

#### ***Liquidity and financial position and capital structure***

As at 31 December 2013, the Remaining Group had cash and cash equivalents, including pledged bank deposits, of approximately HK\$4.50 million. The Remaining Group's bank borrowings as at 31 December 2013 amounted to approximately HK\$2.40 million, which was secured and repayable on demand. The liquidity ratio of current assets over current liabilities, was 5.95 as at 31 December 2013.

#### ***Employees and remuneration policies***

As at 31 December 2013, the Remaining Group had approximately 40 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. The emoluments of the Directors and senior management were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and were approved by the Board.

***Significant investments held and future plans for material investments or capital assets***

As at 31 December 2013, the Remaining Group did not have any significant investment held and had no concrete or immediate future plans for material investments or capital assets.

***Contingent liabilities***

As at 31 December 2013, the Remaining Group had no material contingent liabilities.

***Charge on assets***

Save for the leasehold land and building with a carrying amount of approximately HK\$5.87 million as at 31 December 2013, there was no charge on assets of the Remaining Group as at 31 December 2013.

***Foreign exchange rate exposure***

The Remaining Group's transactions were denominated in Hong Kong dollars and therefore the foreign exchange risk exposure was considered to be minimal.

***Material acquisition and disposal of subsidiaries***

The Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2013.

**For the year ended 31 December 2014*****Business and financial review***

For the year ended 31 December 2014, the revenue of the Remaining Group amounted to approximately HK\$64.00 million. The increase in revenue as compared to the year of 2013 was mainly due to the expansion of business to food products operation, which contributed revenue of the Remaining Group of approximately HK\$60.44 million for the year ended 31 December 2014.

The Remaining Group had been seeking to broaden its revenue stream during the year and completed the acquisition of 58% equity interests in Nicecity Limited and Excellent Catering Management Limited, in order to tap into the business of food products operation. In addition, the Remaining Group commenced to invest in certain securities as one of its new line of businesses and obtained satisfactory returns.

Profit attributable to shareholders of the Remaining Group amounted to approximately HK\$75.61 million for the year ended 31 December 2014, which was mainly attributable to the realised gain of approximately HK\$1.19 million and the unrealised gain of approximately HK\$93.35 million in the financial assets at fair value through profit or loss. The listed securities held by the Remaining Group as at 31 December 2014 were valued at approximately HK\$99.71 million.

***Liquidity and financial position and capital structure***

As at 31 December 2014, the Remaining Group had cash and cash equivalents, including pledged bank deposits, of approximately HK\$39.86 million. The Remaining Group's bank borrowings as at 31 December 2014 amounted to approximately HK\$13.12 million, which was secured and repayable on demand. The liquidity ratio of current assets over current liabilities, was 3.80 as at 31 December 2014.

***Employees and remuneration policies***

As at 31 December 2014, the Remaining Group had approximately 175 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. The emoluments of the Directors and senior management were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and were approved by the Board.

***Significant investments held and future plans for material investments or capital assets***

As at 31 December 2014, save for the financial assets at fair value through profit or loss of approximately HK\$99.71 million held by the Remaining Group, the Remaining Group did not have any significant investment held and had no concrete or immediate future plans for material investments or capital assets.

***Contingent liabilities***

As at 31 December 2014, the Remaining Group had no material contingent liabilities.

***Charge on assets***

As at 31 December 2014, the following assets of the Remaining Group were pledged: (i) the pledged bank deposit amounting to approximately HK\$3.52 million; and (ii) the leasehold land and building with a carrying amount of approximately HK\$5.72 million as at 31 December 2014.

***Foreign exchange rate exposure***

The Remaining Group's transactions were denominated in Hong Kong dollars and therefore the foreign exchange risk exposure was considered to be minimal.

***Material acquisition and disposal of subsidiaries***

Save for (i) the acquisition of 58% equity interests in Nicecity Limited and Excellent Catering Management Limited; and (ii) the disposal of the entire equity interests in Home-made Cuisine Catering Limited, the Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2014.

**For the year ended 31 December 2015*****Business and financial review***

For the year ended 31 December 2015, the Remaining Group recorded a total revenue of approximately HK\$93.41 million, of which approximately HK\$88.82 million was derived from the food products operation business. The Remaining Group commenced its money lending business in June 2015 and has generated interest income of approximately HK\$3.41 million.

Profit attributable to the shareholders of the Remaining Group amounted to approximately HK\$113.58 million, which was mainly attributable to (i) the realised loss of approximately HK\$12.65 million and the net unrealised gain of approximately HK\$154.90 million in its financial assets at fair value through profit or loss; and (ii) the share of profit of an associate of approximately HK\$11.65 million, details of which are set out in the paragraph headed "Remaining business of the Group after the Disposal" in the section headed "Letter from the Board" of this circular.

***Liquidity and financial position and capital structure***

As at 31 December 2015, the Remaining Group had cash and cash equivalents, including pledged bank deposits, of approximately HK\$16.54 million. The Remaining Group's bank borrowings as at 31 December 2015 amounted to approximately HK\$35.77 million, which was secured and repayable on demand. The gearing ratio, being the ratio of net debt (secured bank borrowings less cash and cash equivalents) divided by total equity, was 0.03 as at 31 December 2015. The liquidity ratio of current assets over current liabilities, was 3.97 as at 31 December 2015.

***Employees and remuneration policies***

As at 31 December 2015, the Remaining Group had approximately 175 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. The emoluments of the Directors and senior management were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and were approved by the Board.

***Significant investments held and future plans for material investments or capital assets***

As at 31 December 2015, save for the financial assets at fair value through profit or loss of approximately HK\$389.00 million held by the Remaining Group, the Remaining Group did not have any significant investment held and had no concrete or immediate future plans for material investments or capital assets.

***Contingent liabilities***

As at 31 December 2015, the Remaining Group had no material contingent liabilities.

***Charge on assets***

As at 31 December 2015, the following assets of the Remaining Group were pledged: (i) the pledged bank deposit amounting to approximately HK\$3.53 million; (ii) the financial assets at fair value through profit or loss amounting to approximately HK\$55.36 million; and (iii) the leasehold land and building with a carrying amount of approximately HK\$5.56 million as at 31 December 2015.

***Foreign exchange rate exposure***

The Remaining Group's transactions were denominated in Hong Kong dollars and Reminbi, therefore the foreign exchange risk exposure was considered to be minimal.

***Material acquisition and disposal of subsidiaries***

Save for (i) the acquisition of the entire equity interests in Brilliant Forever Limited; (ii) the acquisition of 51% of the issued share capital of Lucky Dessert Singapore Pte. Ltd.; and (iii) the acquisition of additional 50% of the issued share capital of Hong Kong Beverage and Catering Management Limited, a previously joint venture of the Remaining Group, the Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2015.

**REVIEW REPORT ON UNAUDITED FINANCIAL INFORMATION OF THE GROUP  
AND THE DISPOSAL GROUP**



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

**TO THE BOARD OF DIRECTORS OF FOOD IDEA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**Introduction**

We have reviewed the unaudited financial information set out on pages II-3 to II-18, which comprises the consolidated statements of financial position of Food Idea Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2013, 2014 and 2015, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2013, 2014 and 2015, and certain explanatory notes (the “Financial Information”). The Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed disposal of GR Holdings Limited and its subsidiaries in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) 19.68(2)(a)(i)(B).

The directors of the Company are responsible for the preparation and presentation of the Financial Information in accordance with the basis of preparation set out in note 1 to the Financial Information and GEM Listing Rule 19.68(2)(a)(i). The directors of the Company are also responsible for such internal control as they determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibility is to form a conclusion on the Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



**Scope of 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” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the HKICPA. A review of the Financial Information 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 Hong Kong Standards on Auditing 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.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 to the Financial Information.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

Tang Kwan Lai

Practising Certified Number: P05299

Hong Kong

20 May 2016

**UNAUDITED FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

Set out below are the unaudited consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and the unaudited consolidated statements of profit or loss and other comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows for each of the three years ended 31 December 2013, 2014 and 2015 (“Unaudited Financial Information”), and certain explanatory notes, which have been reviewed by SHINEWING (HK) CPA Limited, the reporting accountants of the Group, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to the Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. The Unaudited Financial Information of the Group is extracted from the published annual reports for the three years ended 31 December 2013, 2014 and 2015.

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**APPENDIX II FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	386,262	464,924	465,652
Other income	782	641	996
Cost of inventories consumed	(117,336)	(151,504)	(150,267)
Employee benefits expenses	(118,719)	(151,652)	(163,672)
Depreciation	(18,912)	(22,223)	(22,226)
Amortisation	–	–	(12)
Operating lease rentals and related expenses	(43,453)	(46,105)	(50,928)
Utilities expenses	(27,366)	(31,166)	(28,001)
Other losses, net	(768)	(5,978)	(7,919)
Gain (loss) on disposal of financial assets at fair value through profit or loss	–	1,193	(13,077)
Gain on fair value of financial assets at fair value through profit or loss, net	–	93,351	151,324
Loss on fair value of contingent consideration payable	–	–	(7,582)
Other operating expenses	(31,355)	(50,056)	(66,721)
Share of profit of an associate	–	–	11,653
Share of loss of a joint venture	(4)	(1)	–
Finance costs	<u>(264)</u>	<u>(626)</u>	<u>(823)</u>
Profit before tax	28,867	100,798	118,397
Income tax expenses	<u>(5,373)</u>	<u>(20,160)</u>	<u>(28,092)</u>
Profit for the year	<u>23,494</u>	<u>80,638</u>	<u>90,305</u>
<b>Other comprehensive expense for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations	–	(6)	(26)
Share of foreign currency translation reserve of an associate	<u>–</u>	<u>–</u>	<u>(6,298)</u>
	<u>–</u>	<u>(6)</u>	<u>(6,324)</u>
Total comprehensive income for the year	<u>23,494</u>	<u>80,632</u>	<u>83,981</u>

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company	23,758	81,626	90,249
Non-controlling interests	<u>(264)</u>	<u>(988)</u>	<u>56</u>
	<u>23,494</u>	<u>80,638</u>	<u>90,305</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company	23,758	81,620	83,925
Non-controlling interests	<u>(264)</u>	<u>(988)</u>	<u>56</u>
	<u>23,494</u>	<u>80,632</u>	<u>83,981</u>

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	77,073	54,139	39,387
Goodwill	–	6,186	6,186
Intangible asset	–	–	4,636
Interest in an associate	–	–	97,827
Interest in a joint venture	1	–	–
Available-for-sale investment	–	–	2
Rental deposits	10,876	11,271	7,703
Deposits paid for acquisition of property, plant and equipment	157	959	3,387
Deferred tax assets	2,467	2,889	3,102
Loan to an associate	–	–	2,959
Loan receivables	–	–	56,500
Pledged bank deposit	–	1,500	–
	<u>90,574</u>	<u>76,944</u>	<u>221,689</u>
Current assets			
Inventories	10,409	8,119	8,215
Loan and interest receivables	–	–	73,187
Trade receivables	1,582	8,461	9,112
Amount due from an associate	–	–	29
Prepayments, deposits and other receivables	14,183	18,937	17,163
Income tax recoverable	750	941	3,034
Financial assets at fair value through profit or loss	–	99,712	422,569
Pledged bank deposits	1,500	3,505	3,531
Bank balances and cash	<u>65,612</u>	<u>69,300</u>	<u>96,654</u>
	<u>94,036</u>	<u>208,975</u>	<u>633,494</u>

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	10,973	13,823	15,481
Other payables, accruals and deposits received	37,392	33,437	38,082
Provision for reinstatement costs	–	559	762
Income tax payable	2,336	435	362
Borrowings	<u>2,397</u>	<u>13,122</u>	<u>35,769</u>
	<u>53,098</u>	<u>61,376</u>	<u>90,456</u>
Net current assets	<u>40,938</u>	<u>147,599</u>	<u>543,038</u>
Total assets less current liabilities	<u>131,512</u>	<u>224,543</u>	<u>764,727</u>
Non-current liabilities			
Contingent consideration payable	–	–	94,780
Provision for reinstatement costs	3,770	3,320	3,321
Deferred tax liabilities	<u>369</u>	<u>15,445</u>	<u>40,227</u>
	<u>4,139</u>	<u>18,765</u>	<u>138,328</u>
	<u>127,373</u>	<u>205,778</u>	<u>626,399</u>
Capital and reserves			
Share capital	3,200	3,200	6,528
Reserves	<u>121,211</u>	<u>201,411</u>	<u>617,434</u>
Equity attributable to owners of the Company	124,411	204,611	623,962
Non-controlling interests	<u>2,962</u>	<u>1,167</u>	<u>2,437</u>
	<u>127,373</u>	<u>205,778</u>	<u>626,399</u>

## APPENDIX II FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	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		
At 1 January 2013 (unaudited)	3,200	65,421	106	–	–	41,478	110,205	2,857
Profit for the year and total comprehensive income for the year	–	–	–	–	–	23,758	23,758	(264)
Capital contribution from non-controlling interest	–	–	–	420	–	–	420	1,097
Acquisition of non-controlling interests	–	–	–	28	–	–	28	(728)
Dividend	–	–	–	–	–	(10,000)	(10,000)	–
At 31 December 2013 and 1 January 2014 (unaudited)	3,200	65,421	106	448	–	55,236	124,411	2,962
Profit for the year	–	–	–	–	–	81,626	81,626	(988)
Other comprehensive expenses for the year	–	–	–	–	–	–	–	–
Exchange differences arising on translation of a foreign operation	–	–	–	–	(6)	–	(6)	–
Total comprehensive (expense) income for the year	–	–	–	–	(6)	81,626	81,620	(988)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	637
Acquisition of non-controlling interests	–	–	–	(1,420)	–	–	(1,420)	1,220
Acquisition of subsidiaries	–	–	–	–	–	–	–	(1,764)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(900)
At 31 December 2014 and 1 January 2015 (unaudited)	3,200	65,421	106	(972)	(6)	136,862	204,611	1,167
Profit for the year	–	–	–	–	–	90,249	90,249	56
Other comprehensive expenses for the year	–	–	–	–	–	–	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(26)	–	(26)	–
Share of foreign currency translation reserve of an associate	–	–	–	–	(6,298)	–	(6,298)	–
Total comprehensive (expense) income for the year	–	–	–	–	(6,324)	90,249	83,925	56
Acquisition of a subsidiary	–	–	–	–	–	–	–	2,114
Share of other reserve of an associate	–	–	–	(182)	–	–	(182)	–
Issue of new shares	3,328	338,560	–	–	–	–	341,888	–
Transaction costs attribute to the issue of new shares	–	(6,280)	–	–	–	–	(6,280)	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	(900)
At 31 December 2015 (unaudited)	6,528	397,701	106	(1,154)	(6,330)	227,111	623,962	2,437

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

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**APPENDIX II FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax	28,867	100,798	118,397
Adjustments for:			
(Gain) loss on disposal of financial assets			
at fair value through profit or loss	–	(1,193)	13,077
Gain on fair value of financial assets			
at fair value through profit or loss, net	–	(93,351)	(151,324)
Depreciation	18,912	22,223	22,226
Amortisation	–	–	12
Loss on fair value of contingent consideration payable	–	–	7,582
Share of profit of an associate	–	–	(11,653)
Share of loss of a joint venture	4	1	–
Finance costs	264	626	823
Loss on disposal of a subsidiary	–	237	–
Loss (gain) on disposals/written-off of property, plant and equipment	768	1,972	(538)
Impairment loss of property, plant and equipment	–	3,769	8,457
Interest income from loan to an associate	–	–	(59)
Bank interest income	(572)	(166)	(41)
Operating cash flows before movements in working capital	48,243	34,916	6,959
(Increase) decrease in inventories	(3,406)	2,289	(96)
Decrease (increase) in trade receivables	73	802	(651)
Increase in loan and interest receivables	–	–	(129,687)
(Increase) decrease in prepayments, deposits, and other receivables	(4,547)	(2,746)	5,352
(Decrease) increase in trade payables	(2,763)	(5,578)	1,658
Increase (decrease) in other payables, accruals and deposits received	721	(6,313)	3,795
Increase in financial assets at fair value through profit or loss	–	(5,168)	(184,610)
Cash generated from (used in) operations	38,321	18,202	(297,280)
Interest paid	(88)	(430)	(619)
Hong Kong Profits Tax paid	(7,502)	(7,745)	(5,689)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>30,731</b>	<b>10,027</b>	<b>(303,588)</b>



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**APPENDIX II FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**


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	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	–	(5,455)	(5,559)
Acquisition of available-for-sale investment	–	–	(2)
Disposal of a subsidiary	–	228	–
Purchases of property, plant and equipment	(28,091)	(4,622)	(17,269)
Deposits paid for acquisition of property, plant and equipment	–	(802)	(3,387)
Loan and advance to an associate	–	–	(2,988)
Repayment from a substantial shareholder	9,900	–	–
Bank interest received	1,140	166	41
Investment in a joint venture	(5)	–	–
Proceeds from disposals of property, plant and equipment	288	80	1,303
Withdrawal of pledged bank deposits	–	–	1,500
Placement of pledged bank deposits	–	(2)	(26)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(16,768)</u>	<u>(10,407)</u>	<u>(26,387)</u>
<b>FINANCING ACTIVITIES</b>			
New borrowings raised	–	–	87,315
Repayment of borrowings	(256)	(708)	(59,920)
Dividends paid to non-controlling interests	–	(900)	(900)
Proceeds from issue of shares	–	–	341,888
Expenses on issue of shares	–	–	(6,280)
Dividend	(10,000)	–	–
Capital contribution from non-controlling interests	1,517	637	–
Payments to acquire non-controlling interests	(700)	(200)	–
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<u>(9,439)</u>	<u>(1,171)</u>	<u>362,103</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,524</b>	<b>(1,551)</b>	<b>32,128</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>61,088</b>	<b>65,612</b>	<b>64,055</b>
Effect of foreign exchange rate changes	–	(6)	(26)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>65,612</b></u>	<u><b>64,055</b></u>	<u><b>96,157</b></u>
<b>Analysis of cash and cash equivalents at the end of the year</b>			
Bank balances and cash	65,612	69,300	96,654
Bank overdrafts	–	(5,245)	(497)
	<u><b>65,612</b></u>	<u><b>64,055</b></u>	<u><b>96,157</b></u>

**NOTES TO THE FINANCIAL INFORMATION****1. Basis of preparation of the unaudited financial information**

The unaudited financial information of Food Idea Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of GR Holdings Limited (the “Disposal Entity”) and its subsidiaries in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) 19.68(2)(a)(i)(B).

Before the completion of the proposed disposal of the Disposal Entity and its subsidiaries (the “Proposed Disposal”), the Group has undergone a reorganisation that the Disposal Entity, a wholly owned subsidiary of the Company, has disposed of its wholly-owned subsidiary, Blissful Dragon Limited to the Group and acquired Home-made Cuisine Investments Limited from the Group. At the date of the completion of the Proposed Disposal, the disposal group comprised GR Holdings Limited and its subsidiaries (the “Disposal Group”).

The unaudited financial information of the Group comprising the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2013, 2014 and 2015 and certain explanatory notes, has been prepared in accordance with the same accounting policies as those adopted by the Group in preparation of the consolidated financial statements of the Group for those respective years. The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited financial information of the Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised), “Presentation of Financial Statements” nor an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

## **2. The disposal event after the report period**

On 10 March 2016, the Company, as vendor, entered into a sale and purchase agreement with the purchaser (the “Sale and Purchase Agreement”), Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the executive directors and substantial shareholders of the Company (collectively referred to as the “Purchasers”), pursuant to which the Company has conditionally agreed to dispose of the entire Chinese restaurant operation through the disposal of the Disposal Group, and all the liabilities, obligations and indebtedness due by the Disposed Group to the Group at the preliminary consideration of HK\$49 million (subject to adjustment by the unaudited net asset value of the Disposal Group as at completion date of the Proposed Disposal) payable in cash by the Purchasers.

The Proposed Disposal has not yet been completed at the date of this report and is subject to the satisfaction of the certain conditions precedent, including the passing of an ordinary resolution by the independent shareholders of the Company at an extraordinary general meeting to approve the Sale and Purchase Agreement and the Proposed Disposal.

Upon the completion of the Proposed Disposal, the Company will not hold any interest in the existing Chinese restaurant operation and the Disposal Group will cease to be subsidiaries of the Company.

Included in the consolidated statements of financial position as at 31 December 2013, 2014 and 2015, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2013, 2014 and 2015 are the unaudited combined statements of financial position of the Disposal Group as at 31 December 2013, 2014 and 2015, and the unaudited combined statements of profit or loss and other comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Disposal Group for the years ended 31 December 2013, 2014 and 2015 (the “Disposal Group Financial Information”).

All intra-group transactions and balances between different entities/parts of Disposal Group have been eliminated on combination. The unaudited combined financial information of the Disposal Group is prepared by the directors of the Company in accordance with GEM Listing Rule 19.68(2)(a)(i)(B).

The Disposal Group Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value using the same accounting policies as those adopted by the Company in the preparation of the consolidated financial statements of the Group for the three years ended 31 December 2013, 2014 and 2015.

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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***UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME OF THE DISPOSAL GROUP***

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	381,373	401,784	375,149
Other income	9,732	4,382	1,130
Cost of inventories consumed	(116,019)	(124,338)	(114,140)
Employee benefits expenses	(114,623)	(131,257)	(135,127)
Depreciation	(18,380)	(20,829)	(20,264)
Operating lease and rentals and related expenses	(42,439)	(45,263)	(48,290)
Utilities expenses	(26,915)	(30,373)	(27,281)
Other losses, net	(762)	(5,475)	(7,915)
Loss on disposal of financial assets at fair value through profit or loss	–	–	(428)
Loss on fair value of financial assets at fair value through profit or loss	–	–	(3,576)
Other operating expenses	(41,319)	(38,944)	(39,461)
Finance costs	<u>(172)</u>	<u>(194)</u>	<u>(207)</u>
Profit (loss) before tax	30,476	9,493	(20,410)
Income tax expenses	<u>(5,394)</u>	<u>(4,505)</u>	<u>(3,349)</u>
Profit (loss) for the year and total comprehensive income (expense) for the year	<u>25,082</u>	<u>4,988</u>	<u>(23,759)</u>
Profit (loss) for the year and total comprehensive income (expense) attributable to:			
Owners of the Company	25,346	6,019	(23,333)
Non-controlling interests	<u>(264)</u>	<u>(1,031)</u>	<u>(426)</u>
	<u>25,082</u>	<u>4,988</u>	<u>(23,759)</u>

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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***UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION OF  
THE DISPOSAL GROUP***

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Non-current assets			
Property, plant and equipment	69,653	44,641	21,913
Rental deposits	10,559	11,235	7,319
Deposits paid for acquisition of property, plant and equipment	157	953	1,144
Deferred tax assets	2,467	2,802	2,827
Pledged bank deposit	—	1,500	—
	<u>82,836</u>	<u>61,131</u>	<u>33,203</u>
Current assets			
Inventories	10,361	7,960	7,838
Trade receivables	1,568	1,240	1,033
Prepayments, deposits and other receivables	13,543	15,444	14,283
Amounts due from fellow subsidiaries	4,005	6,253	656
Income tax recoverable	750	760	2,853
Financial assets at fair value through profit or loss	—	—	33,571
Pledged bank deposit	1,500	—	1,523
Bank balances and cash	<u>61,115</u>	<u>32,949</u>	<u>82,122</u>
	<u>92,842</u>	<u>64,606</u>	<u>143,879</u>
Current liabilities			
Trade payables	10,877	9,981	11,068
Other payables, accruals and deposits received	35,865	27,001	26,510
Amount due to the immediate holding company	59,380	17,404	90,003
Amounts due to fellow subsidiaries	546	746	3,329
Provision for reinstatement costs	—	559	762
Income tax payable	<u>2,336</u>	<u>19</u>	<u>41</u>
	<u>109,004</u>	<u>55,710</u>	<u>131,713</u>
Net current (liabilities) assets	<u>(16,162)</u>	<u>8,896</u>	<u>12,166</u>
Total assets less current liabilities	<u>66,674</u>	<u>70,027</u>	<u>45,369</u>

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Non-current liabilities			
Provision for reinstatement costs	3,686	3,320	3,321
Deferred tax liabilities	<u>369</u>	<u>—</u>	<u>—</u>
	<u>4,055</u>	<u>3,320</u>	<u>3,321</u>
	<u>62,619</u>	<u>66,707</u>	<u>42,048</u>
Capital and reserves			
Share capital	2,284	3,801	3,801
Reserves	<u>57,373</u>	<u>60,655</u>	<u>37,322</u>
Equity attributable to owners of the Company	59,657	64,456	41,123
Non-controlling interests	<u>2,962</u>	<u>2,251</u>	<u>925</u>
	<u>62,619</u>	<u>66,707</u>	<u>42,048</u>

## APPENDIX II FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP

### UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE DISPOSAL GROUP

	Attributable to owners of the Company				Non-controlling interests		Total
	Share capital	Capital reserve	Other reserve	Retained earnings	Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note)					
At 1 January 2013 (unaudited)	1	486	–	46,093	46,580	2,857	49,437
Profit (loss) for the year and total comprehensive income (expense) for the year	–	–	–	25,346	25,346	(264)	25,082
Capital contribution from shareholders of a subsidiary	2,283	–	420	–	2,703	1,097	3,800
Acquisition of non-controlling interests	–	–	28	–	28	(728)	(700)
Dividends	–	–	–	(15,000)	(15,000)	–	(15,000)
At 31 December 2013 and 1 January 2014 (unaudited)	2,284	486	448	56,439	59,657	2,962	62,619
Profit (loss) for the year and total comprehensive income (expense) for the year	–	–	–	6,019	6,019	(1,031)	4,988
Acquisition of non-controlling interests	1,517	–	(2,737)	–	(1,220)	1,220	–
Dividend to non-controlling interests	–	–	–	–	–	(900)	(900)
At 31 December 2014 and 1 January 2015 (unaudited)	3,801	486	(2,289)	62,458	64,456	2,251	66,707
Loss for the year and total comprehensive expense for the year	–	–	–	(23,333)	(23,333)	(426)	(23,759)
Dividend to non-controlling interests	–	–	–	–	–	(900)	(900)
At 31 December 2015 (unaudited)	3,801	486	(2,289)	39,125	41,123	925	42,048

*Note:* Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Disposal Entity and the nominal amount of the shares issued by the Disposal Entity in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.

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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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***UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF  
THE DISPOSAL GROUP***

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before tax	30,476	9,493	(20,410)
Adjustments for:			
Loss on disposal of financial assets			
at fair value through profit or loss	–	–	428
Loss on fair value of financial assets			
at fair value through profit or loss	–	–	3,576
Depreciation	18,380	20,829	20,264
Finance costs	172	194	207
Loss (gain) on disposals/written-off of			
property, plant and equipment	762	1,706	(542)
Impairment loss of property,			
plant and equipment	–	3,769	8,457
Bank interest income	<u>(6)</u>	<u>(3)</u>	<u>(5)</u>
Operating cash flows before movements in			
working capital	49,784	35,988	11,975
(Increase) decrease in inventories	(3,443)	2,401	122
Decrease in trade receivables	80	328	207
(Increase) decrease in prepayments,			
deposits and other receivables	(4,243)	(2,577)	5,078
(Decrease) increase in trade payables	(2,767)	(896)	1,087
Increase (decrease) in other payables,			
accruals and deposits received	1,605	(8,257)	98
Increase in financial assets at fair value			
through profit or loss	<u>–</u>	<u>–</u>	<u>(37,575)</u>
Cash generated from (used in) operations	41,016	26,987	(19,008)
Interest paid	–	(1)	(4)
Hong Kong Profits Tax paid	<u>(7,502)</u>	<u>(7,536)</u>	<u>(5,445)</u>
<b>NET CASH FROM (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>	<u>33,514</u>	<u>19,450</u>	<u>(24,457)</u>



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**APPENDIX II      FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP**

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	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(27,334)	(1,899)	(5,658)
Deposits paid for acquisition of property, plant and equipment	–	(796)	(1,144)
Bank interest received	6	3	5
Proceeds from disposals of property, plant and equipment	269	–	571
(Advance to) repayment from fellow subsidiaries	(3,913)	(2,248)	5,597
Placement of pledged bank deposits	<u>–</u>	<u>–</u>	<u>(23)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(30,972)</u>	<u>(4,940)</u>	<u>(652)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid to non-controlling interests	–	(900)	(900)
Advance from (repayment to) immediate holding company	16,362	(41,976)	72,599
(Repayment to) advance from fellow subsidiaries	(2,776)	200	2,583
Dividends paid	(15,000)	–	–
Capital contribution from shareholders of a subsidiary	3,800	–	–
Payments to acquire non-controlling interests	<u>(700)</u>	<u>–</u>	<u>–</u>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<u>1,686</u>	<u>(42,676)</u>	<u>74,282</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,228</b>	<b>(28,166)</b>	<b>49,173</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>56,887</u>	<u>61,115</u>	<u>32,949</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash</b>	<u><u>61,115</u></u>	<u><u>32,949</u></u>	<u><u>82,122</u></u>

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

20 May 2016

The Board of Directors  
Food Idea Holdings Limited  
Shop 46, G/F  
Ho Shun Tai Building  
10 Sai Ching Street  
Yuen Long, New Territories

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Food Idea Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2015, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2015, the unaudited pro forma statement of cash flows for the year ended 31 December 2015, and related notes as set out on pages III-5 to III-13 of the circular dated 20 May 2016 (the “Circular”) in connection with the proposed disposal of GR Holdings Limited and its subsidiaries (the “Proposed Disposal”) issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group’s consolidated financial position as 31 December 2015 and the Group’s financial performance and cash flows for the year ended 31 December 2015 as if the Proposed Disposal had taken place as at 31 December 2015 and 1 January 2015 respectively. As part of this process, information about the Group’s consolidated financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group’s consolidated financial statements for the year ended 31 December 2015, on which an audit report has been published on 30 March 2016.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 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" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Disposal on unadjusted financial information of the Group as if the Proposed Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the 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 31(1) of Chapter 7 of the GEM Listing Rules.

**SHINEWING (HK) CPA Limited***Certified Public Accountants*

Tang Kwan Lai

Practising Certificate Number: P05299

Hong Kong

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The following is the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of Food Idea Holdings Limited and its subsidiaries (collectively referred to as the “Group”) excluding GR Holdings Limited and its subsidiaries (the “Disposal Group”) (hereinafter referred to as the “Remaining Group”) (the “Unaudited Pro Forma Financial Information”) which have been prepared on the basis of the notes set out below for the propose of illustrating the effects of the proposed disposal of the Disposal Group (the “Proposed Disposal”) as if the Proposed Disposal had been completed on (a) 31 December 2015 for the purpose of the unaudited pro forma consolidated statement of financial position, and (b) 1 January 2015 for the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, respectively.

The unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with paragraph 31(1) of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for illustrative purposes only and based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2015 or any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2015 or any future period following the completion of the Proposed Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015 (“2015 Annual Report”) after making pro forma adjustments as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as extracted from the Group’s 2015 Annual Report after making pro forma adjustments as set out below.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position, results and cash flows of the Remaining Group that would have been attained had the Proposed Disposal been completed on 31 December 2015 and 1 January 2015, respectively. The Unaudited Pro Forma Financial Information does not purport to predict future financial positions or results of the Remaining Group.

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 31 December 2015

	The Group	Pro forma adjustments			The Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 2)	(Note 3)	(Note 7)	
<b>Non-current assets</b>					
Property, plant and equipment	39,387	(21,913)	–	–	17,474
Goodwill	6,186	–	–	–	6,186
Intangible asset	4,636	–	–	–	4,636
Interest in an associate	97,827	–	–	–	97,827
Interest in a joint venture	–	–	–	–	–
Available-for sale investment	2	–	–	–	2
Rental deposits	7,703	(7,319)	–	–	384
Deposits paid for acquisition of property, plant and equipment	3,387	(1,144)	–	–	2,243
Deferred tax assets	3,102	(2,827)	–	–	275
Loan to an associate	2,959	–	–	–	2,959
Loan receivables	56,500	–	–	–	56,500
	<u>221,689</u>	<u>(33,203)</u>	<u>–</u>	<u>–</u>	<u>188,486</u>
<b>Current assets</b>					
Inventories	8,215	(7,838)	–	–	377
Loan and interest receivables	73,187	–	–	–	73,187
Trade receivables	9,112	(1,033)	–	–	8,079
Amount due from an associate	29	–	–	–	29
Prepayments, deposits and other receivables	17,163	(14,283)	–	–	2,880
Amounts due from fellow subsidiaries of the Remaining Group	–	(656)	656	–	–
Income tax recoverable	3,034	(2,853)	–	–	181
Financial assets at fair value through profit or loss	422,569	(33,571)	–	–	388,998
Pledged bank deposits	3,531	(1,523)	–	–	2,008
Bank balances and cash	96,654	(82,122)	133,799	(1,730)	146,601
	<u>633,494</u>	<u>(143,879)</u>	<u>134,455</u>	<u>(1,730)</u>	<u>622,340</u>

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments				The Remaining Group
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 7)	HK\$'000	
<b>Current liabilities</b>						
Trade payables	15,481	(11,068)	–	–	4,413	
Other payables, accruals and deposits received	38,082	(26,510)	–	–	11,572	
Amount due to the immediate holding company	–	(90,003)	90,003	–	–	
Amounts due to the fellow subsidiaries of the Remaining Group	–	(3,329)	3,329	–	–	
Provision for reinstatement costs	762	(762)	–	–	–	
Income tax payable	362	(41)	–	–	321	
Borrowings	35,769	–	–	–	35,769	
	<u>90,456</u>	<u>(131,713)</u>	<u>93,332</u>	<u>–</u>	<u>52,075</u>	
<b>Net current assets</b>	<u>543,038</u>	<u>(12,166)</u>	<u>41,123</u>	<u>(1,730)</u>	<u>570,265</u>	
<b>Total assets less current liabilities</b>	<u>764,727</u>	<u>(45,369)</u>	<u>41,123</u>	<u>(1,730)</u>	<u>758,751</u>	
<b>Non-current liabilities</b>						
Contingent consideration payable	94,780	–	–	–	94,780	
Provision for reinstatement costs	3,321	(3,321)	–	–	–	
Deferred tax liabilities	40,227	–	–	–	40,227	
	<u>138,328</u>	<u>(3,321)</u>	<u>–</u>	<u>–</u>	<u>135,007</u>	
	<u>626,399</u>	<u>(42,048)</u>	<u>41,123</u>	<u>(1,730)</u>	<u>623,744</u>	
<b>Capital and reserves</b>						
Share capital	6,528	–	–	–	6,528	
Reserves	617,434	(41,123)	41,123	(1,730)	615,704	
Equity attributable to owners of the Company	623,962	(41,123)	41,123	(1,730)	622,232	
Non-controlling interests	2,437	(925)	–	–	1,512	
	<u>626,399</u>	<u>(42,048)</u>	<u>41,123</u>	<u>(1,730)</u>	<u>623,744</u>	



**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP****UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP***For the year ended 31 December 2015*

	<b>The Group</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 6)</i>	<i>(Note 8)</i>	
Revenue	465,652	(375,149)	–	2,905	93,408
Other income	996	(1,130)	–	5,146	5,012
Cost of inventories consumed	(150,267)	114,140	–	(3,021)	(39,148)
Employee benefits expenses	(163,672)	135,127	–	–	(28,545)
Depreciation	(22,226)	20,264	–	–	(1,962)
Amortisation	(12)	–	–	–	(12)
Operating lease rentals and related expenses	(50,928)	48,290	–	–	(2,638)
Utilities expenses	(28,001)	27,281	–	–	(720)
Other losses, net	(7,919)	7,915	–	–	(4)
Loss on disposal of financial assets at fair value through profit or loss	(13,077)	428	–	–	(12,649)
Gain on fair value of financial assets at fair value through profit or loss, net	151,324	3,576	–	–	154,900
Loss on fair value of contingent consideration payable	(7,582)	–	–	–	(7,582)
Other operating expenses	(66,721)	39,461	–	(4,854)	(32,114)
Share of profit of an associate	11,653	–	–	–	11,653
Loss on disposal of subsidiaries	–	–	(1,730)	–	(1,730)
Finance costs	(823)	207	–	(176)	(792)
Profit before tax	118,397	20,410	(1,730)	–	137,077
Income tax expenses	(28,092)	3,349	–	–	(24,743)
Profit for the year	<u>90,305</u>	<u>23,759</u>	<u>(1,730)</u>	<u>–</u>	<u>112,334</u>

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments				The Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note 1)	(Note 2)	(Note 6)	(Note 8)		
Other comprehensive expense for the year						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange difference arising on translation of foreign operations	(26)	–	–	–	(26)	
Share of foreign currency translation reserve of an associate	(6,298)	–	–	–	(6,298)	
	(6,324)	–	–	–	(6,324)	
Total comprehensive income for the year	<u>83,981</u>	<u>23,759</u>	<u>(1,730)</u>	<u>–</u>	<u>106,010</u>	
Profit for the year attributable to:						
Owners of the Company	90,249	23,333	(1,730)	–	111,852	
Non-controlling interests	<u>56</u>	<u>426</u>	<u>–</u>	<u>–</u>	<u>482</u>	
	<u>90,305</u>	<u>23,759</u>	<u>(1,730)</u>	<u>–</u>	<u>112,334</u>	
Total comprehensive income attributable to:						
Owners of the Company	83,925	23,333	(1,730)	–	105,528	
Non-controlling interests	<u>56</u>	<u>426</u>	<u>–</u>	<u>–</u>	<u>482</u>	
	<u>83,981</u>	<u>23,759</u>	<u>(1,730)</u>	<u>–</u>	<u>106,010</u>	

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the year ended 31 December 2015

	The Group	Pro forma adjustments				The Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 2)	(Note 4)	(Note 6)		
<b>OPERATING ACTIVITIES</b>						
Profit before tax	118,397	20,410	–	(1,730)	137,077	
Adjustments for:						
Loss on disposal of financial assets at fair value through profit or loss	13,077	(428)	–	–	12,649	
Gain on fair value of financial assets at fair value through profit or loss, net	(151,324)	(3,576)	–	–	(154,900)	
Depreciation	22,226	(20,264)	–	–	1,962	
Amortisation	12	–	–	–	12	
Loss on fair value of contingent consideration payable	7,582	–	–	–	7,582	
Share of profit of an associate	(11,653)	–	–	–	(11,653)	
Finance costs	823	(207)	–	–	616	
(Gain) loss on disposals/written-off of property, plant and equipment	(538)	542	–	–	4	
Impairment loss of property, plant and equipment	8,457	(8,457)	–	–	–	
Interest income from loan to an associate	(59)	–	–	–	(59)	
Bank interest income	(41)	5	–	–	(36)	
Loss on disposal of subsidiaries	–	–	–	1,730	1,730	
	6,959	(11,975)	–	–	(5,016)	
Operating cash flows before movements in working capital						
Increase in inventories	(96)	(122)	–	–	(218)	
Increase in trade receivables	(651)	(207)	–	–	(858)	
Increase in loan and interest receivables	(129,687)	–	–	–	(129,687)	
Decrease in prepayments, deposits and other receivables	5,352	(5,078)	–	–	274	
Increase in trade payables	1,658	(1,087)	–	–	571	
Increase in other payables, accruals and deposits received	3,795	(98)	–	–	3,697	
Increase in financial assets at fair value through profit or loss	(184,610)	37,575	–	–	(147,035)	
Cash used in operations	(297,280)	19,008	–	–	(278,272)	
Interest paid	(619)	4	–	–	(615)	
Hong Kong Profits Tax paid	(5,689)	5,445	–	–	(244)	
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(303,588)</u>	<u>24,457</u>	<u>–</u>	<u>–</u>	<u>(279,131)</u>	

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	<b>The Group</b>	<b>Pro forma adjustments</b>				<b>The Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 4)</i>	<i>(Note 6)</i>		
<b>INVESTING ACTIVITIES</b>						
Acquisition of subsidiaries	(5,559)	–	–	–	(5,559)	
Acquisition of available-for-sale investment	(2)	–	–	–	(2)	
Purchases of property, plant and equipment	(17,269)	5,658	–	–	(11,611)	
Deposits paid for acquisition of property, plant and equipment	(3,387)	1,144	–	–	(2,243)	
Loan and advance to an associate	(2,988)	–	–	–	(2,988)	
Bank interest received	41	(5)	–	–	36	
Proceeds from disposals of property, plant and equipment	1,303	(571)	–	–	732	
Advance to the fellow subsidiaries of the Remaining Group	–	(5,597)	–	–	(5,597)	
Withdrawal of pledged bank deposits	1,500	–	–	–	1,500	
Placement of pledged bank deposits	(26)	23	–	–	(3)	
Proceeds from disposal of the Disposal Group	–	–	74,623	–	74,623	
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(26,387)</b>	<b>652</b>	<b>74,623</b>	<b>–</b>	<b>48,888</b>	
<b>FINANCING ACTIVITIES</b>						
New borrowings raised	87,315	–	–	–	87,315	
Repayment of borrowings	(59,920)	–	–	–	(59,920)	
Dividends paid to non-controlling interests	(900)	900	–	–	–	
Repayment to the immediate holding Company	–	(72,599)	–	–	(72,599)	
Repayment to fellow subsidiaries of the Remaining Group	–	(2,583)	–	–	(2,583)	
Proceeds from issue of shares	341,888	–	–	–	341,888	
Expenses on issue of shares	(6,280)	–	–	–	(6,280)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>362,103</b>	<b>(74,282)</b>	<b>–</b>	<b>–</b>	<b>287,821</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,128</b>	<b>(49,173)</b>	<b>74,623</b>	<b>–</b>	<b>57,578</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>64,055</b>	<b>(32,949)</b>	<b>–</b>	<b>–</b>	<b>31,106</b>	
Effect of foreign exchange rate changes	(26)	–	–	–	(26)	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>96,157</b>	<b>(82,122)</b>	<b>74,623</b>	<b>–</b>	<b>88,658</b>	
<b>Analysis of cash and cash equivalents at the end of the year</b>						
Bank balances and cash	96,654	(82,122)	74,623	–	89,155	
Bank overdrafts	(497)	–	–	–	(497)	
	<b>96,157</b>	<b>(82,122)</b>	<b>74,623</b>	<b>–</b>	<b>88,658</b>	

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION***Notes:*

- (1) The audited consolidated statement of financial position of the Group as at 31 December 2015, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2015 of the Group are extracted from the 2015 Annual Report.
- (2) The adjustment reflects (i) the deconsolidation of assets and liabilities of the Disposal Group as at 31 December 2015 as if the Proposed Disposal had been completed on 31 December 2015; (ii) the exclusion of financial performance of the Disposal Group for the year ended 31 December 2015; and (iii) the exclusion of cash flows of the Disposal Group for year ended 31 December 2015 as if the Proposed Disposal had been completed on 1 January 2015. The financial information of the Disposal Group is extracted from the unaudited financial information of the Group and the Disposal Group for the year ended 31 December 2015 as set out in Appendix II to this circular dated 20 May 2016 in connection with the Proposed Disposal (the “Circular”).
- (3) Pursuant to the Sales and Purchase Agreement, the Disposal Group has to repay all intra-group loans due by it to the Remaining Group in cash. As a result, the adjustment represented the cash consideration from the Proposed Disposal of approximately HK\$41,123,000 as stated in note 5 and the repayment of intra-group loans due by the Disposal Group to the Remaining Group of approximately HK\$92,676,000 as if the Proposed Disposal had been completed on 31 December 2015.
- (4) Pursuant to the sales and purchase agreement, the Disposal Group has to repay all intra-group loans due by it to the Remaining Group in cash. As a result, the adjustment represented the cash inflows regarding to the cash consideration from the Proposed Disposal of approximately HK\$62,726,000 net of estimated direct expenses in relation to the Proposed Disposal as stated in note 6 and the repayment of intra-group loans due by the Disposal Group received by the Remaining Group of approximately HK\$11,897,000 as if the Proposed Disposal had been completed on 1 January 2015.

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**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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- (5) The adjustment reflects the pro forma loss on the Proposed Disposal assuming the Proposed Disposal had been taken place on 31 December 2015. The cash consideration is adjusted by the unaudited net asset value of the Disposal Group as at 31 December 2015.

	<i>HK\$'000</i>
Cash consideration	41,123
Less: Estimated direct expenses in relation to the Proposed Disposal (note 7)	<u>(1,730)</u>
	39,393
Add: Non-controlling interests of the Disposal Group as at 31 December 2015	925
Less: Net asset value of the Disposal Group as at 31 December 2015	<u>(42,048)</u>
Estimated pro forma loss on Proposed Disposal	<u><u>(1,730)</u></u>

- (6) The adjustment reflects the pro forma loss on the Proposed Disposal assuming the Proposed Disposal had been taken place on 1 January 2015. The cash consideration is adjusted by the unaudited net asset value of the Disposal Group as at 1 January 2015.

	<i>HK\$'000</i>
Cash consideration	64,456
Less: Estimated direct expenses in relation to the Proposed Disposal (note 7)	<u>(1,730)</u>
	62,726
Add: Non-controlling interests of the Disposal Group as at 1 January 2015	2,251
Less: Net asset value of the Disposal Group as at 1 January 2015	<u>(66,707)</u>
Estimated pro forma loss on Proposed Disposal	<u><u>(1,730)</u></u>

- (7) The estimated direct expenses in relation to the Proposed Disposal are approximately HK\$1,730,000 as if the Proposed Disposal had been completed on 1 January 2015 and 31 December 2015.
- (8) The adjustment represents the elimination of intercompany transactions between the Disposal Group and the Remaining Group.
- (9) Except for the Group reorganisation as mentioned in Appendix II to the Circular, no other adjustments have been made related to non-recurring in nature and no further adjustments have been made afterwards relating to the Proposed Disposal.
- (10) All the pro forma adjustments are not expected to have a continuing effect on the Remaining Group.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests and 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 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 Rules 5.46 to 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	Number of Shares	Approximate percentage of interest (%)
Mr. Wong ( <i>Note</i> )	Interest in a controlled corporation	1,528,116,000	23.41
Ms. Lau ( <i>Note</i> )	Interest in a controlled corporation	1,528,116,000	23.41

*Note:*

1,153,116,000 Shares 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 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, both being the executive Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

***Long positions in Shares and underlying Shares of the Company***

Name of Shareholders	Capacity/nature of interest	Number of 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 British Virgin Islands 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, both being the executive Directors.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.



### **3. DIRECTORS' SERVICE CONTRACTS**

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

### **4. QUALIFICATIONS AND CONSENT OF EXPERTS**

The following are the qualifications of the experts who have given opinions or advice which are contained in the circular:

<b>Name</b>	<b>Qualifications</b>
SHINEWING (HK) CPA Limited	Certified Public Accountants
Veda Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any 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 any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **5. LITIGATION**

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

## 6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the renewal of a tenancy agreement dated 12 December 2014 entered into between Red Seasons Corporation Limited (“**RS Corporation**”), an indirect wholly owned subsidiary of the Company and U Investments Limited (“**U Investments**”), a company owned as to 50% by Mr. Wong and as to 50% by Ms. Lau, in relation to the lease of for a term of Shop No. 33, Level 1 and Level 2, Garden Rivera, No. 20-30 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong and a covered carparking space with a total saleable area of approximately 879.41 square meters for the operation of a Chinese restaurant under the trade name of Red Seasons Aroma Restaurant (季季紅風味酒家) for the monthly rent of HK\$350,000 for the period starting from 1 January 2015 and expiring on 31 December 2017;
- (ii) the sale and purchase agreement dated 19 December 2014 (as amended and supplemented by two supplemental agreements dated 13 February 2015 and 24 March 2015 respectively) and entered into between Mr. Wong Tai Chun, son of Mr. Wong and Ms. Lau, as vendor and Food Idea Group Limited, a wholly owned subsidiary of the Company as the purchaser in relation to the sale and purchase of the entire issued share capital of Brilliant Forever Limited and all obligations, liabilities and debts owing by Brilliant Forever Limited to Mr. Wong Tai Chun on or at any time prior to the completion of the sale and purchase agreement for a maximum consideration of HK\$100,000,000 subject to adjustment;
- (iii) the placing agreement dated 9 March 2015 entered into between the Company and Orient Securities Limited, an Independent Third Party, as placing agent for the placing, on a best efforts basis, up to 160,000,000 placing shares to not less than six placees at the placing price of HK\$0.125 per placing share;
- (iv) the loan agreement dated 29 April 2015 entered into between Food Idea Group Limited, as lender, and Lucky Dessert (China) Holdings Limited, a 49% indirectly-owned associate of the Company, as borrower, for a loan facility of up of HK\$15,000,000 at the interest of the best lending rate of the Hong Kong and Shanghai Banking Corporation as at the date of draw down plus 1% for a period of 2 years from the date of the loan agreement;

- (v) the placing and subscription agreement dated 6 May 2015 entered into among the Company, FP Sino-Rich Securities & Futures Limited (“**FP Sino-Rich**”), an Independent Third Party, as placing agent and KMW, a substantial shareholder of the Company and jointly-owned by Mr. Wong and Ms. Lau, executive Directors, in equal shares, for (i) the placing, on a best efforts basis, up to 480,000,000 placing shares to not less than six placees at the placing price of HK\$0.193 per placing share and (ii) the subscription for up to 480,000,000 subscription shares by KMW at the subscription price of HK\$0.193 per subscription share;
- (vi) the loan agreement dated 19 June 2015 entered into between Happy Credit Limited (“**Happy Credit**”), a direct wholly-owned subsidiary of the Company, as lender and three customers, who are family members and Independent Third Parties, as borrowers, for a loan facility of up of HK\$32,000,000 at the interest of 8% per annum for a period of 12 months from the date of the loan agreement;
- (vii) the underwriting agreement dated 26 June 2015 (as supplemented by the letter agreement dated 24 July 2015 and the supplemental underwriting agreement dated 13 August 2015) entered into among the Company, Kingston Securities Limited and FP-Sino Rich, both being an Independent Third Party, as underwriters in relation to the underwriting and certain other arrangements in respect of 1,920,000,000 rights shares by way of rights issue to the qualifying Shareholders for subscription on the basis of one (1) rights share for every two (2) Shares held on the record date at the subscription price of HK\$0.105 per right shares;
- (viii) the loan agreement dated 16 October 2015 entered into between Happy Credit as lender and a customer, an Independent Third Party, as borrower, for a loan facility of up of HK\$60,000,000 at the interest of 3% per annum for a period of 36 months from the date of the loan agreement;
- (ix) the placing and subscription agreement dated 18 December 2015 entered into among the Company, Emperor Securities Limited, an Independent Third Party, as placing agent and KMW for (i) the placing, on a best efforts basis, up to 768,000,000 placing shares to not less than six placees at the placing price of HK\$0.036 per placing share and (ii) the subscription for up to 768,000,000 subscription shares by KMW at the subscription price of HK\$0.036 per subscription share; and
- (x) the Sale and Purchase Agreement.

## 7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competed or might compete with the businesses of the Group or had any other conflicts of interest with the Group.

## 8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

The Group has entered into the following agreement with the associates of Mr. Wong and Ms. Lau, both executive Directors.

### 1. Shatin Lease Agreement

Pursuant to a lease entered into between RS Corporation, an indirectly wholly owned subsidiary of the Company, and U Investments on 12 December 2014 (the “**Shatin Lease Agreement**”), RS Corporation had agreed to lease from U Investments premises situated at Shop No. 33, Level 1 and Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong and a covered carparking space at a monthly rent of HK\$350,000 for the period from 1 January 2015 to 31 December 2017 for the use as the restaurant premises of Red Seasons in Sha Tin. Each of Mr. Wong and Ms. Lau holds as to 50% of the issued share capital of U Investments, U Investments is an associate of each of Mr. Wong and Ms. Lau and is a connected person of the Company. The Shatin Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

### 2. Red Royalty Lease Agreement

Pursuant to a lease entered into between Gayety Limited (“**Gayety**”), an indirectly wholly owned subsidiary of the Company, and Goldex Management Limited (“**Goldex**”) on 25 November 2011 (the “**Red Royalty Lease Agreement**”), Gayety had agreed to lease from Goldex premises situated at First Floor Commercial Unit plus carparking space Nos. L5 on Ground Floor and 97, 98, 99 & 100 on First Floor, Manhattan Plaza, No. 23 Sai Ching Street, Yuen Long, New Territories, Hong Kong at a monthly rent of HK\$580,000 for the period from 1 January 2012 to 31 December 2016, for the use as the restaurant premises of Red Royalty. Each of Mr. Wong and Ms. Lau holds as to 50% of the issued share capital of Goldex, Goldex is an associate of each of Mr. Wong and Ms. Lau and is a connected person of the Company. The Red Royalty Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

### 3. Pork Supply Agreement

A pork supply agreement (the “**Pork Supply Agreement**”) was entered into between Wong Yuen Hing and the Company on 27 December 2013, pursuant to which Wong Yuen Hing had agreed to sell pork to the members of the Group during the term of the Pork Supply Agreement from 1 January 2014 to 31 December 2016 on terms no less favourable than those offered by Wong Yuen Hing to other independent third parties. The purchase price, the quantity and specifications of the pork concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of pork in good faith. The purchase price and the other payment terms for pork will be set out in the relevant purchase orders to be placed under the Pork Supply Agreement. Such price, however, shall not be higher than the average price at which Wong Yuen Hing charges other Independent Third Parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business. The annual cap for the amount payable by the Group to Wong Yuen Hing for the purchase of pork under the Pork Supply Agreement for each of the three years ending 31 December 2016 was HK\$8,000,000, HK\$8,500,000 and HK\$9,000,000, respectively. Each of Mr. Wong and Ms. Lau holds as to 50% of the issued share capital of Wong Yuen Hing, Wong Yuen Hing is an associate of each of Mr. Wong and Ms. Lau, and is a connected person of the Company. The transactions contemplated under the Pork Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

### 4. Wine Supply Agreement

A wine supply agreement (the “**Wine Supply Agreement**”) was entered into between U Cellar Limited (“**U Cellar**”) and the Company on 27 December 2013, pursuant to which U Cellar had agreed to sell to the Company (or any of its subsidiaries as directed by the Company) wine during the term of the Wine Supply Agreement from 1 January 2014 to 31 December 2016 on terms no less favourable than those offered by U Cellar to other independent third parties. The purchase price, the quantity and specifications of the wine concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of wine in good faith. The purchase price and the other payment terms for the wine will be set out in the relevant purchase orders to be placed under the Wine Supply Agreement. Such price, however, shall not be higher than the average price at which U Cellar charges other Independent Third Parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business. The annual cap for the amount payable by the Group to U Cellar for the purchase of wine under the Wine Supply Agreement for each of the three years ending 31 December 2016 was HK\$450,000, HK\$475,000 and HK\$500,000, respectively. Ms. Wong Tai Ying, the daughter of Mr. Wong and Ms. Lau, owns 100% interest in U Cellar, U Cellar is an associate of Mr. Wong and Ms. Lau and is a connected person of the Company. The transactions contemplated under the Wine Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

5. The Sale and Purchase Agreement.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (1) Ms. Lau Lan Ying, an executive Director, is the compliance officer of the Company.
- (2) Mr. Wong Tin King, Richard is the company secretary. He is a member of the Hong Kong Institute of Certified Public Accountant.
- (3) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (4) The head office and principal place of business of the Company in Hong Kong is at Shop 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong.
- (5) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (6) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.
- (7) The Company has established an audit committee ("**Audit Committee**") with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and accounts, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The Audit Committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control, risk management and financial reporting matters.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang. The brief biographical details of the members of Audit Committee are set out below:

**Mr. Li Fu Yeung**, aged 36, was appointed as an independent non-executive Director on 25 June 2011. He is also the chairman of the Audit Committee and nomination committee (“**Nomination Committee**”) of the Company and a member of the remuneration committee (“**Remuneration Committee**”) of the Company. Mr. Li has over 9 years of experience in the financial industry. Since 2004, Mr. Li has worked in Manulife (International) Limited and his current position is Unit Manager and is responsible for the sales and marketing of insurance related product. Mr. Li obtained a diploma in computer science from the Sydney Institute of Business and Technology in 2001.

**Mr. Kwan Wai Yin, William**, aged 40, was appointed as an independent non-executive Director on 2 September 2013. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. Mr. Kwan possesses extensive experience in marketing and sales. He was the vice president of the corporate sales department of Sun Hung Kai Financial Group from August 2006 to November 2008. From February 2009 to August 2012, he was a sales manager of a private trading company, after which, Mr. Kwan has been operating a tailor business since August 2012. Mr. Kwan obtained his Bachelor of Arts Degree in Economics from York University, Ontario, Canada.

**Mr. Tam Lok Hang**, aged 33, was appointed as an independent non-executive Director on 7 January 2016. He is also the chairman of the Remuneration Committee of the Company and a member of the Audit Committee and Nomination Committee. Mr. Tam obtained his Bachelor degree in Business from Queensland University of Technology in 2006. He was a qualified member of CPA Australia in 2011 and has more than 7 years’ solid experience in auditing, finance and accounting gained from his previous employment in local and international CPA firms, responsible for annual audit and other special projects. He was an assistant accounting manager of the Company from November 2010 to June 2011. From November 2011 to June 2014, he was a senior accounting manager in a company whose shares are listed on the Main Board of the Stock Exchange, and after which, became an entrepreneur.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong from the date of this circular up to and including the date of the EGM:

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

- (b) the letter from the Independent Board Committee, the text of which is set out in page 31 in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in pages 32 to 52 in this circular;
- (d) the financial information of the Group and the Disposal Group, the text of which is set out in Appendix II to this circular;
- (e) the report on unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular;
- (f) the material contracts as referred to under the section headed “Material Contracts” in this appendix;
- (g) the written consents from the experts as referred to under the section headed “Qualifications and Consents of Experts” in this appendix;
- (h) the annual reports of the Company for each of the two years ended 31 December 2014 and 2015;
- (i) the first quarterly report of the Company for the three months ended 31 March 2016; and
- (j) this circular.



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## NOTICE OF EGM

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# 新煮意控股有限公司 FOOD IDEA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Food Idea Holdings Limited (the “**Company**”) will be held on Monday, 27 June 2016 at 11:30 a.m. at Unit R2, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional sale and purchase agreement dated 10 March 2016 (the “**Disposal Agreement**”, a copy of which has been produced to the EGM marked “**A**” and signed by the chairman of the EGM for the purposes of identification), entered into between the Company as vendor and Mr. Wong Kwan Mo and Ms. Lau Lan Ying as purchasers (the “**Purchasers**”) in relation to (i) the sale and purchase of 100 shares, representing the entire issued share capital of GR Holdings Limited (the “**Target Company**”); and (ii) all the obligations, liabilities and indebtedness owing or incurred by the Target Company to the Company, whether actual, contingent or deferred and irrespective whether or not the same is due and payable as at completion of the Disposal Agreement (the “**Sale Loan**”) for the preliminary cash consideration of HK\$49 million (subject to adjustment on a dollar-for-dollar basis for the net asset value of the Target Company and the value of the Sale Loan as at the completion of the Disposal Agreement as shown in the written certificate to be issued by a qualified accountant to be jointly appointed by the Company and the Purchasers), and the transactions contemplated thereunder be approved, confirmed and ratified, as the case may be.

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## NOTICE OF EGM

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- (b) any one or more of the directors (the “**Directors**”) of the Company be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/her/their opinion to approve and implement and/or give effect to the Disposal Agreement and the transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary any and all documents necessary or desirable for giving effect to such agreements, or making non-material amendments thereto but including the authority to waive any conditions (save where they are stated not capable of being waived) and the authority to amend the time by which completions of such agreements are to take place.”
2. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and the permission to deal in, the Consolidated Shares (as defined below), with effect from the business day (as defined below) immediately following the day on which this resolution is passed by the shareholders of the Company:
- (a) every ten (10) existing issued and unissued shares of HK\$0.001 each in the share capital of the Company be consolidated into one (1) share of HK\$0.01 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);
- (b) the Consolidated Shares shall rank *pari passu* in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
- (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.001 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and
- (d) the any Director be and is hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements in connection with Share Consolidation.”

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

Hong Kong, 20 May 2016

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## NOTICE OF EGM

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*Registered office:*

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

*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

*Notes:*

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.
- (3) 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 certified copy of such power or authority must be deposited at the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (4) Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.
- (5) In the case of joint registered holders of shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (6) Pursuant to the Rules Governing the Listing of the Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange, the voting on the ordinary resolutions at the EGM will be conducted by way of poll.
- (7) If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.foodidea.com.hk](http://www.foodidea.com.hk) and on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.