

新煮意控股有限公司
Food Idea Holdings Limited

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

FIRST QUARTERLY
REPORT

2019

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

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wong Hoi Yu (*Chairman*)

Mr. Yu Ka Ho

(*Chief executive officer, "CEO"*)

Independent non-executive Directors

Mr. Li Lap Keung

(appointed on 22 February 2019)

Mr. So Yat Chuen

(appointed on 22 February 2019)

Dr. Wu Wing Kuen, *B.B.S.*

(appointed on 16 January 2019)

Mr. Kwan Wai Yin, William

(resigned on 16 January 2019)

Mr. Tam Lok Hang

(resigned on 22 February 2019)

Mr. Chu Sin Bun Jacky

(resigned on 22 February 2019)

Compliance Officer

Mr. Yu Ka Ho

Authorised Representatives

Mr. Yu Ka Ho

Mr. Chung Man Wai, Stephen

Company Secretary

Mr. Chung Man Wai, Stephen

Audit Committee Members

Mr. Li Lap Keung (*Chairman*)

(appointed on 22 February 2019)

Mr. So Yat Chuen

(appointed on 22 February 2019)

Dr. Wu Wing Kuen, *B.B.S.*

(appointed on 16 January 2019)

Mr. Tam Lok Hang

(resigned on 22 February 2019)

Mr. Chu Sin Bun Jacky

(resigned on 22 February 2019)

Mr. Kwan Wai Yin, William

(resigned on 16 January 2019)

Remuneration Committee Members

Mr. So Yat Chuen (*Chairman*)

(appointed on 22 February 2019)

Mr. Li Lap Keung

(appointed on 22 February 2019)

Dr. Wu Wing Kuen, *B.B.S.*

(appointed on 16 January 2019)

Mr. Tam Lok Hang

(resigned on 22 February 2019)

Mr. Chu Sin Bun Jacky

(resigned on 22 February 2019)

Mr. Kwan Wai Yin, William

(resigned on 16 January 2019)

Nomination Committee Members

Mr. So Yat Chuen (*Chairman*)
(appointed on 22 February 2019)
Mr. Li Lap Keung
(appointed on 22 February 2019)
Dr. Wu Wing Kuen, *B.B.S.*
(appointed on 16 January 2019)
Mr. Tam Lok Hang
(resigned on 22 February 2019)
Mr. Chu Sin Bun Jacky
(resigned on 22 February 2019)
Mr. Kwan Wai Yin, *William*
(resigned on 16 January 2019)

Auditor

Elite Partners CPA Limited
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of
China (Asia) Limited

Registered Office

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

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

Unit 306-A201, 3/F.
Harbour Centre, Tower 1
1 Hok Cheung Street
Hungghom, Kowloon
Hong Kong

Hong Kong Share Registrars and Transfer Office

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

Company Website

www.foodidea.com.hk

GEM Stock Code

8179

HIGHLIGHTS

- The Group's revenue for the three months ended 31 March 2019 increased by approximately 43% to approximately HK\$45,701,000 (2018: HK\$31,923,000).
- Loss attributable to the owners of the Company for the three months ended 31 March 2019 amounted to approximately HK\$6,083,000 (2018: HK\$28,755,000).
- Basic loss per share for the three months ended 31 March 2019 was approximately HK0.23 cents (2018: HK1.36 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2019 (the “First Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three months ended 31 March 2019

		For the three months ended 31 March	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	45,701	31,923
Other income		255	220
Cost of inventories consumed		(10,402)	(12,275)
Cost of sales		(13,618)	–
Employee benefits expenses		(11,773)	(10,461)
Depreciation		(431)	(1,339)
Amortisation		–	(46)
Operating lease rentals and related expenses		(968)	(749)
Utilities expenses		(241)	(231)
Gain on disposal of financial assets at fair value through profit or loss, net		–	1,334
Gain (loss) on fair value change of financial assets at fair value through profit or loss, net		230	(21,485)
Share option expenses		(2,979)	(830)
Other operating expenses		(9,797)	(13,257)
Share of loss of associates		(1,207)	(1,230)
Share of loss of joint ventures		–	(77)
Finance costs	4	(1,221)	(94)
Loss before tax	5	(6,451)	(28,597)
Income tax expenses	6	(7)	(77)
Loss for the period		(6,458)	(28,674)

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

For the three months ended 31 March 2019

	Note	For the three months ended 31 March	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		98	8
Share of foreign currency translation reserve of an associate		801	2,146
		899	2,154
Total comprehensive expense for the period		(5,559)	(26,520)
(Loss) profit for the period attributable to			
Owners of the Company		(6,083)	(28,755)
Non-controlling interests		(375)	81
		(6,458)	(28,674)
Total comprehensive (expenses) income for the period attributable to			
Owners of the Company		(5,184)	(26,601)
Non-controlling interests		(375)	81
		(5,559)	(26,520)
Loss per share	7		
Basic and diluted (<i>HK cents</i>)		0.23	1.36

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2019

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Shares options reserve HK\$'000	Capital reserve HK\$'000 Note (i)	Other reserve HK\$'000 Note (ii)	Foreign currency translation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2019	21,279	618,040	1,276	106	(182)	(8,614)	(282,910)	348,995	(1,608)	347,387
Loss for the period	-	-	-	-	-	-	(6,083)	(6,083)	(375)	(6,458)
Other comprehensive income for the period										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	98	-	98	-	98
Share of foreign currency translation reserve of an associate	-	-	-	-	-	801	-	801	-	801
Total comprehensive income (expenses) for the period	-	-	-	-	-	899	(6,083)	(5,184)	(375)	(5,559)
Recognition of equity-settled share based payments	-	-	2,979	-	-	-	-	2,979	-	2,979
Issue of shares upon exercise of share options	2,128	12,545	(4,255)	-	-	-	-	10,418	-	10,418
Issue of consideration shares	4,255	14,044	-	-	-	-	-	18,299	-	18,299
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	132	132
Balance at 31 March 2019	27,662	644,629	-	106	(182)	(7,715)	(288,993)	375,507	(1,851)	373,656
Balance at 1 January 2018	21,071	613,622	-	106	(182)	(6,989)	(165,543)	442,085	1,441	443,526
Loss for the period	-	-	-	-	-	-	(28,755)	(28,755)	81	(28,674)
Other comprehensive income for the period										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	8	-	8	-	8
Share of foreign currency translation reserve of an associate	-	-	-	-	-	2,146	-	2,146	-	2,146
Total comprehensive income (expenses) for the period	-	-	-	-	-	2,154	(28,755)	(26,601)	81	(26,520)
Recognition of equity-settled share based payments	-	-	830	-	-	-	-	830	-	830
Issue of shares upon exercise of share options	208	4,418	(830)	-	-	-	-	3,796	-	3,796
Balance at 31 March 2018	21,279	618,040	-	106	(182)	(4,835)	(214,298)	420,110	1,522	421,632

Notes:

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

NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2019

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Unit 306-A201, 3/F, Harbour Centre, Tower 1, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2018 (the "2018 Annual Report"), except for the adoption of the new and revised HKFRSs, which are effective for the financial year beginning on or after 1 January 2019. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2018 Annual Report.

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

3. SEGMENT INFORMATION

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

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

- (i) Catering services – The operation of a chain of catering restaurants.
- (ii) Food products operation – The production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei.
- (iii) Investments – Investment in securities.
- (iv) Money lending – The provision of money lending business.
- (v) Wine trading – The operation of sales and distribution of wine products.

Segment turnover, revenue and results

Segment revenue represents revenue derived from the provision of catering services, sales of food and wine products, gross proceeds from the disposal of investments (for segment turnover only), dividend income and interest income from both the investments and the provision of money lending business.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the results from each segment without allocation of certain other income, central administrative costs, share option expenses, share of loss of associates / joint ventures and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessments.

3. SEGMENT INFORMATION (CONTINUED)

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

For the three months ended 31 March

	Catering services		Food products operation		Investments		Money lending		Wine trading		Unallocated		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT TURNOVER	-	-	20,610	20,396	-	16,431	211	2,427	16,800	-	-	-	-	-	45,701	48,254
SEGMENT REVENUE																
External sales	-	-	20,610	20,396	-	100	211	2,427	16,800	-	-	-	-	-	45,701	31,923
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	20,610	20,396	-	100	211	2,427	16,800	-	-	-	-	-	45,701	31,923
Segment results	(12)	(58)	(673)	278	230	(20,051)	(194)	2,128	1,800	-	-	-	-	-	1,281	(17,703)
Unallocated income	-	-	-	-	-	-	-	-	-	-	265	220	-	-	265	220
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	(2,660)	(8,863)	-	-	(2,660)	(8,863)
Share option expenses	-	-	-	-	-	-	-	-	-	-	(2,979)	(630)	-	-	(2,979)	(630)
Share of loss of associates	(1,207)	(1,230)	-	-	-	-	-	-	-	-	-	-	-	-	(1,207)	(1,230)
Share of loss of joint ventures	-	-	-	-	-	-	-	-	-	-	-	(77)	-	-	-	(77)
Finance costs	-	-	-	-	-	-	-	-	-	-	(1,221)	(94)	-	-	(1,221)	(94)
Loss before tax															(6,451)	(28,597)

Geographical information

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

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue for both periods.

4. FINANCE COSTS

	For the three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interests on borrowings	270	94
Interests on promissory note	951	–
	1,221	94

5. LOSS BEFORE TAX

	For the three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging the following:		
Operating lease rentals in respect of rented premises	935	677

6. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax	7	77
Deferred income tax	–	–
	7	77

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

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

7. LOSS PER SHARE

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

	For the three months ended 31 March	
	2019 HK\$000 (Unaudited)	2018 HK\$000 (Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share, being loss for the period attributable to the owners of the Company	(6,083)	(28,755)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,593,143,277	2,114,488,007

Diluted loss per share for both periods were the same as the basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the periods.

8. DIVIDEND

No dividend were paid or proposed for the three months ended 31 March 2019 nor have any dividend been proposed since the end of the reporting period (2018: Nil).

9. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the announcement of the Company dated 2 April 2019, a direct wholly owned subsidiary of the Company as the vendor and the purchaser has entered into the sale and purchase agreement to sell (i) the entire issued share capital of Food Idea Capital Limited ("FIC"), which shall be free from encumbrances and third party rights; and (ii) the sale loan, representing the entire amount due and owing by the FIC to the Vendor as at the completion date, at an aggregate cash consideration of HK\$13,380,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2019 (the "2019 First Quarter").

Business Review

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

Food Products Operation

For the 2019 First Quarter, the food products operation recorded decrease in revenue of around 3% to approximately HK\$28.61 million when compared with approximately HK\$29.40 million for the three months ended 31 March 2018 (the "2018 First Quarter").

Attributable to the fall in the revenue of the food products operation, its segment operating profit decrease from approximately HK\$0.28 million for the 2018 First Quarter to approximately HK\$0.57 million operating loss for the 2019 First Quarter.

Securities Investment Business

As at 31 March 2019, the Group had a portfolio of securities investment of approximately HK\$8.57 million (31 December 2018: HK\$8.34 million) and all of them were equity securities listed in Hong Kong. For the 2019 First Quarter, the Group recorded a net unrealised gain of approximately HK\$0.23 million (2018: net unrealised loss HK\$21.49 million) and a net realised gain of approximately HK\$Nil million (2018: net realised gain of approximately HK\$1.33 million) in its entire securities investment.

The Group's investment portfolio is subject to the volatility of the market. The management will cut losses on certain investments which will be in vulnerable position and keep those with better prospect.

The Group will continue to monitor the existing portfolio closely to maximise the return prospect for the investments.

Money Lending Business

The Group's money lending business maintained a steady performance. During the 2019 First Quarter, it generated interest income of approximately HK\$0.21 million (2018: HK\$2.43 million) and recorded a segment loss of approximately HK\$0.19 million (2018: segment profit HK\$2.13 million).

As at 31 March 2019, an aggregate loan of approximately HK\$561.75 million (31 December 2018: HK\$560.75 million) with effective interest rate ranging from 3% to 36% per annum (31 December 2018: 3% to 36% per annum) had been built up by the Group. As at 31 March 2019, the outstanding loan receivables of the Group amounted to approximately HK\$47.33 million (31 December 2018: HK\$54.06 million).

Wine Trading

Wine industry in Hong Kong has been developed for years. With the help of the removal of all wine duties by the Government of the HKSAR in 2008 and the support of a significant pool of experienced wine merchants with good wine knowledge and international trade experience, Hong Kong has further developed into a wine trading and distribution centre for the region. According to the Hong Kong Trade Development Council Research Report on 6 September 2018, which provided statistical data for the previous year of 2017, and data from Euromonitor International, in January to June 2018, wine sales in Hong Kong amounted to United States Dollars 1,620 million or 34.8 million liters in 2017, up 5.2% and 2.5%, respectively, per annum in the past five years. For 2017 to 2022, it is forecasted to grow 5.0% per annum in value terms and 3.8% per annum in volume terms.

The Group has expanded its business to wine trading with an aim to take advantage of the steady growth of the wine industry. The Board believes the development of the wine trading business represents a good opportunity for the Group to further develop its distribution and catering business and will help diversify the Group's business.

On 22 October 2018, the Group entered into a sale and purchase agreement with an independent third party for the acquisition 100% of issued share capital of Palinda Holding Group Limited and its wholly owned subsidiary, Palinda Wines (H.K.) Limited ("Palinda HK") (collectively "Palinda Group") a wine products trading group. Details of the acquisition were set out in the Company's announcements dated 22 October 2018, 30 November 2018, 11 December 2018 and 22 January 2019 and the circular of the Company dated 13 December 2018.

The Group's wine are mainly from various reputable vineyard and winery from Australia, with a focus on the red wine as the major product. During the 2019 First Quarter, the wine trading operation has achieved positive results and recorded revenue of approximately HK\$16.88 million with a segment profit of approximately HK\$1.80 million.

Others

The dessert catering industry in the PRC is still facing a fierce competition which is further intensified by the emergence of e-commerce platform and the change of consumption pattern to online channel. The associate of the Group, the Lucky Dessert Group, competes with both new entrants and competitors with longer operating histories. Together with the rising operating costs such as rental expenses and labour costs in the PRC, the Lucky Dessert Group changed its strategy and focused on developing its restaurant network through local business partners in the PRC, instead of operating its self-owned restaurant.

As at 31 March 2019, the Lucky Dessert Group had six (31 December 2018: six) dessert catering restaurants which were operated by local business partners in Tianjin, Taiyuan, Nanjing and Shenzhen.

Financial Review

During the 2019 First Quarter, the Group's revenue amounted to approximately HK\$45.70 million which was approximately 43% higher than that of the last corresponding period. The increase was mainly attributable to the rise in revenue from wine trading from approximately HK\$Nil million for the 2018 First Quarter to approximately HK\$16.88 million for the 2019 First Quarter.

The loss attributable to the owners of the Company was approximately HK\$6.08 million for the 2019 First Quarter, a decrease as compared to approximately HK\$28.76 million for the 2018 First Quarter. The Group's revenue recorded a rise of approximately HK\$13.78 million primarily due to the wine trading and decrease in net unrealised loss from financial assets at FVTPL from approximately HK\$21.49 million to Nil for the 2019 First Quarter. It was counteracted by the increase in cost of sales in wine trading of approximately HK\$13.62 million.

The cost of inventories consumed for the 2019 First Quarter amounted to approximately HK\$10.40 million (2018: HK\$12.28 million). The cost of inventories consumed was approximately 36% (2018: 42%) of the Group's revenue on food products operation business during the 2019 First Quarter. The Group will keep the strategy on bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing. The cost of sales in wine trading for the 2019 First Quarter amounted to approximately 13.62 million (2018: Nil). The cost of sales in wine trading was approximately 81% (2018: Nil) of the Group's revenue on wine trading for the 2019 First Quarter. The Group expects to improve the product mixing in wine trading in the future.

Employee benefits expenses for the 2019 First Quarter amounted to approximately HK\$11.77 million (2018: HK\$10.46 million). The increase was mainly due to the development of wine trading and the wage adjustments to retain experienced staff under the inflationary environment during the 2019 First Quarter. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

Outlook and Prospects

The management strives to diversify the Group's existing business and broaden its source of income.

In view of the positive results in wine trading segment for the 2019 First Quarter and the prospect of the wine industry in Hong Kong, the development of the wine trading represents a good opportunity for the Group to further develop its distribution and catering business and will help to diversify the businesses of the Group. As such, it is the intention of the Group to further strengthen its sales capability in wine trading with an aim to take advantage of the steady growth in the wine trading industry. Apart from continuing efforts in product portfolio expansion and marketing, the Group will seek for acquisition opportunities to enhance the operating scale and performance of the wine trading segment. The Group is in the view that it may benefit the development of the existing wine trading business by expanding the customer base, addition to wine supply channels and acquisition of staff with relevant skill sets and connections in the wine trading industry.

For the food products operation, the Group continues to search for suitable sites with high traffic flow for expansion and will continue to review the performance of its concessionaire stores and close the underperforming locations.

The Group is also proactively monitoring the rising food costs, labour costs and commission expenses to supermarket chains in order to raise the operational efficiencies of the food products operation.

The Group will actively seek for opportunities to expand its money lending business.

The Management will monitor the risk exposure regularly and adjust the investments portfolio when necessary, while selectively choose those with the most balanced risk and return potential.

The Lucky Dessert Group is consistently approached by potential local entrepreneurs of the trademark "Lucky Dessert" for running the dessert catering business in the PRC. The Group will explore opportunities to further develop its dessert catering business.

The Group will closely monitor and review the performance of existing businesses and may dispose of and scale down the underperforming businesses in order to concentrate resources to develop outperforming business.

Liquidity, Financial and Capital Resources

Capital Structure

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

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

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

Cash Position

As at 31 March 2019, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$9,215,000 (31 December 2018: HK\$7,222,000).

During the 2019 First Quarter and up to the date of this report, the Group has made the following issues for cash equity securities:

- a. On 22 January 2019, a total of 425,568,000 consideration shares have been issued at the price of HK\$0.131 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 100% of issued share capital of Palinda Group.
- b. On 14 January 2019, the holders of share options exercised their rights to subscribe for 42,557,092 shares at HK\$0.042 per share. As a result, the Company received a net proceed of approximately HK\$1.79 million.
- c. On 17 January 2019, the holders of share options exercised their rights to subscribe for 106,392,730 shares at HK\$0.042 per share. As a result, the Company received a net proceed of approximately HK\$4.47 million.

- d. On 15 February 2019, the holders of share options exercised their rights to subscribe for 42,557,092 shares at HK\$0.0652 per share. As a result, the Company received a net proceed of approximately HK\$2.77 million.
- e. On 19 February 2019, the holder of share options exercised the rights to subscribe for 21,278,546 shares at HK\$0.0652 per share. As a result, the Company received a net proceed of approximately HK\$1.39 million.

Borrowings / promissory notes

As at 31 March 2019, the carrying amount of the Group's borrowings / promissory notes was approximately HK\$161.27 million (31 December 2018: HK\$99.35 million).

Gearing ratio

Gearing ratio is calculated as net debt (borrowings less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interest). As at 31 March 2019 and 31 December 2018, the gearing ratio was approximately 29% (31 December 2018: 21%)

Contingent Liabilities

Save as disclosed elsewhere in the First Quarterly Financial Statements, there were no other significant contingent liabilities of the Group as at 31 March 2019.

Dividend

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

Employees Numbers and Remuneration Policy

As at 31 March 2019, the Group had around 260 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

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

Pursuant to the announcement of the Company dated 22 October 2018, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into the sale and purchase agreement to acquire 100% of issued share capital of Palinda Group at the consideration of HK\$76 million. The consideration will be satisfied by (i) the issue and allotment of the 425,568,000 new shares at share price of HK\$0.131 per new share by the Company; and (ii) the issue of the promissory note by the purchaser to the vendor as to HK\$20,250,592 upon completion. The vendor irrevocably and unconditionally guaranteed to the purchaser that the audited net profit after tax of Palinda HK for the year ending 31 March 2019 (the “Guaranteed Profit”). The Palinda Group is principally engaged in trading of wine products in Hong Kong. The acquisition was completed on 22 January 2019. The Guaranteed Profit has been achieved for the year ended 31 March 2019 in accordance with the unaudited financial statements of Palinda HK.

On 27 February 2019, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into the sale and purchase agreement to acquire 100% of issued share capital of Irving Global Limited and its wholly owned subsidiary (collectively “IGL Group”) at the consideration of HK\$9.9 million. The consideration will be satisfied by the issue of the promissory note by the purchaser to the vendor upon completion. The IGL Group is principally engaged in retailing of wine products in Hong Kong. The acquisition was completed on 28 February 2019.

On 27 February 2019, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into the sale and purchase agreement to acquire 100% of issued share capital of Happy Profit Global Limited and its subsidiary (collectively “HPG Group”) at the consideration of HK\$9.9 million. The consideration will be satisfied by the issue of the promissory note by the purchaser to the vendor upon completion. The HPG Group is principally engaged in trading of wine and olive oil products in Hong Kong. The acquisition was completed on 28 February 2019.

Pursuant to the announcement of the Company dated 2 April 2019, a direct wholly owned subsidiary of the Company as the vendor and the purchaser has entered into the sale and purchase agreement to sell (i) the entire issued share capital of Food Idea Capital Limited ("FIC"), which shall be free from encumbrances and third party rights; and (ii) the sale loan, representing the entire amount due and owing by the FIC to the Vendor as at the completion date, at an aggregate cash consideration of HK\$13,380,000. FIC is a property holding company and its principal asset is the property, which is a commercial unit situated in Wanchai, Hong Kong. The disposal has not completed up to the date of this report.

Save as the acquisition and disposal of financial assets at FVTPL disclosed elsewhere in the First Quarterly Financial Statements, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the 2018 First Quarter.

Save as disclosed elsewhere in the First Quarterly Financial Statements, there is no plan for material investments or capital assets as at 31 March 2019.

SHARE OPTION SCHEME

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

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

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

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 9 December 2011 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. Pursuant to an ordinary resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 8 June 2018, the 10% limit under the Share Option Scheme was refreshed (i.e. 212,785,464 ordinary shares).

Where the proposed grant of option to a Director, chief executive, substantial shareholder and / or an independent non-executive director of the Company or any of their respective associates would result in such person in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the total issued shares at the date of grant; and (ii) having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5 million, then such grant must be subject to the approval of the shareholders in general meeting taken on a poll.

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

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

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

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant. An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised, but the Board may, subject to the provisions of the GEM Listing Rules, in its absolute discretion when granting the option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit.

As at 31 March 2019, there was no outstanding share options under the Share Option Scheme.

Details of the share options granted during the period are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Closing price of the share immediately before the date of grant
17 December 2018	N/A	1 year from the date of grant	HK\$0.0652	HK\$0.0620
11 January 2019	N/A	1 year from the date of grant	HK\$0.0420	HK\$0.0410

The following table discloses the movement of the Company's share options during the 2019 First Quarter:

	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Balance as at 1 January 2019	Granted during the period	Exercised during the period	Expired / lapsed / cancelled during the period	Balance as at 31 March 2019
Employees	11 January 2019	0.0420	1 year from the date of grant	-	42,557,092	(42,557,092)	-	-
Individuals in aggregate	17 December 2018	0.0652	1 year from the date of grant	63,835,638	-	(63,835,638)	-	-
	11 January 2019	0.0420	1 year from the date of grant	-	106,392,730	(106,392,730)	-	-
				63,835,638	148,949,822	(212,785,460)	-	-
Exercisable at the end of the period								-
				HK\$	HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				0.0652	0.0420	0.0490	-	-

In respect of the share options exercised during the period, the weighted average share price at the date of exercise was HK\$0.0489 and the weighted average share price at the date immediately before the exercise was HK\$0.0492.

During the 2019 First Quarter, 148,949,822 options were granted on 11 January 2019. The estimated fair value of the options granted on the date was approximately HK\$2,979,000 and the total amount of which was recognised by the Group for the 2019 First Quarter.

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

As at 31 March 2019, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

Name of Director	Capacity / nature of interest	Total number of ordinary shares held	Approximate percentage of interest
Mr. Yu Ka Ho	Beneficial owner	256	0.00%

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had, or deemed to have, any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 March 2019, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following parties have interests or short positions in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity / nature of interest	Total number of ordinary shares	Approximate percentage of interest
Huang Wei ("Huang W") (Note 1)	Beneficial owner	425,568,000	15.38%
	Interest of spouse	45,024,000	1.63%
Wong Dak Sun ("Wong DS") (Note 2)	Beneficial owner	45,024,000	1.63%
	Interest of spouse	425,568,000	15.38%
Wong Ryan Tai Cheong ("Wong TC") (Note 3)	Interest in controlled corporations	254,863,200	9.21%
KMW Investments Limited ("KMW") (Note 3)	Beneficial owner	254,863,200	9.21%
Wong Man Ho Matthew	Beneficial owner	177,729,184	6.43%

Notes

1. Huang W is the spouse of Wong DS. By virtue of SFO, Huang W is deemed to be interested in all the shares owned by Wong DS.
2. Wong DS is the spouse of Huang Wei. By virtue of SFO, Wong DS is interested in all the shares owned by Huang W.
3. KMW is a company incorporated in the British Virgin Islands and the entire share capital of KMW is owned by Wong TC. By virtue of SFO, Wong TC is deemed to be interested in all shares owned by KMW.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and chief executives’ interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations” above, at no time during the 2019 First Quarter was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the 2019 First Quarter.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the 2019 First Quarter or as at 31 March 2019.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015 and 20 December 2018, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

As at 31 March 2019, the Audit Committee consists of three members, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.*. Mr. Li Lap Keung, is the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited First Quarterly Financial Statements and is of the opinion that the preparation of such statements complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Food Idea Holdings Limited
Wong Hoi Yu
Chairman and executive Director

Hong Kong, 14 May 2019

As at the date of this report, the Board of the Company comprises Mr. Wong Hoi Yu and Mr. Yu Ka Ho as executive Directors, and Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, B.B.S., as independent non-executive Directors.