THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed dealer 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 with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

新煮意控股有限公司
FOOD IDEA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE AND THE ISSUE OF PROMISSORY NOTE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Akron Corporate Finance Limited
亚贝隆资本有限公司

A letter from the Board is set out on pages 5 to 21 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 3 January 2019 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. 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 enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof 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. The 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 wish.

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

13 December 2018

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

CONTENTS

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

"Acquisition"	the proposed acquisition of 100% of the issued share capital of the Target Company pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 22 October 2018 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition
"Applicable Laws"	in respect of any person, any laws, rules, regulations, directives, decrees, treaties, or orders of any authority (including but not limited to the GEM Listing Rules), that are applicable to and binding on such person
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	Food Idea Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (stock code: 8179)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	the third Business Days after the date of fulfillment (or waiver) of all the conditions set out in the Agreement
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the consideration for the Acquisition, being HK$76,000,000

"Consideration Shares"	425,568,000 new Shares to be issued to the Vendor at an issue price of HK$0.131 per new Share as part of the Consideration
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 3 January 2019 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group upon Completion, together with the Target Group
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"General Mandate"	the general mandate granted to the Directors at the annual general meeting of the Company held on 8 June 2018. Under this general mandate, the Directors are allowed to allot and issue up to 425,570,928 Shares. As at the Latest Practicable Date, no Shares have been issued and allotted under the General Mandate
"Group"	the Company and its subsidiaries
"HKFRS"	the financing reporting standards and interpretations including: (a) Hong Kong Financial Reporting Standards; (b) Hong Kong Accounting Standards; and (c) Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HK Subsidiary"	Palinda Wines (H.K.) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its connected persons
"Issue Price"	HK$0.131 per Consideration Share
"Latest Practicable Date"	11 December 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	has the meaning ascribed to it under the GEM Listing Rules
"Long Stop Date"	31 March 2019 or such later date as the Vendor and the Purchaser may agree in writing
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Promissory Note"	the promissory note in the principal amount of HK$20,250,592 to be issued by the Purchaser in favour of the Vendor as part of the Consideration
"Purchaser"	Arrow Vision Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
"Sale Shares"	6,000 ordinary shares of the Target Company, representing 100% of the issued share capital of the Target Company
"SFO"	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Palinda Holding Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor immediately prior to Completion
"Target Group"	the Target Company and the HK Subsidiary
"Vendor"	Ms. Huang Wei, an individual who to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party
"%"	per cent.

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 Hoi Yu *(Chairman)*
Mr. Yu Ka Ho *(Chief executive officer)*

Independent non-executive Directors:
Mr. Chu Sin Bun Jacky
Mr. Kwan Wai Yin, William
Mr. Tam Lok Hang

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:
Room A, 6/F
CNT Tower
338 Hennessy Road
Wanchai
Hong Kong

13 December 2018

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE AND THE ISSUE OF PROMISSORY NOTE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 22 October 2018, 30 November 2018 and 11 December 2018 in relation to the Acquisition.

On 22 October 2018 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, at the Consideration of HK$76,000,000, which will be satisfied (i) as to HK$55,749,408 by the issue and allotment of the Consideration Shares at the Issue Price of HK$0.131 per Consideration Share by the Company to the Vendor; and (ii) as to the remaining amount of HK$20,250,592 by the issue of the Promissory Note by the Purchaser to the Vendor, upon Completion.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) accountants' report on the Target Group; (iii) unaudited pro forma financial information on the Enlarged Group; (iv) valuation report on the HK Subsidiary; and (v) notice of the EGM.

THE AGREEMENT

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

Date

22 October 2018 (after trading hours)

Parties

(i) the Purchaser;

(ii) the Vendor; and

(iii) the Company. (collectively, the "**Parties**")

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Asset to be acquired

The Sale Shares, representing 100% of the issued share capital of the Target Company.

Consideration

The Consideration of HK$76,000,000 shall be paid and satisfied upon Completion in the following manner:

(i) as to HK$55,749,408 by the issue and allotment of 425,568,000 Consideration Shares at the Issue Price of HK$0.131 per Consideration Share by the Company to the Vendor; and

(ii) as to the remaining amount of HK$20,250,592 by the issue of the Promissory Note by the Purchaser to the Vendor.

Further details of the Consideration Shares and the Promissory Note are set out in the sections headed "The Consideration Shares" and "The Promissory Note" below respectively.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to the following factors:

(i) the preliminary valuation of 100% equity interests of the HK Subsidiary, being the operating entity of the Target Group of HK$80,000,000 as at 30 September 2018 (the "**Valuation**") prepared by an independent valuer based on the market approach;

(ii) the financial and operating performance of the HK Subsidiary and latest financial position of the HK Subsidiary as shown in its audited financial statements for the year ended 31 March 2018;

(iii) the business development and future prospects of the Target Group;

(iv) the Guaranteed Profits (as defined below) as set out under the sub-section headed "Profit guarantee and compensation" below; and

(v) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration represents a discount of 5% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Profit guarantee and compensation

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with the HKFRS shall be no less than HK$10,000,000 (the "**Guaranteed Profits**").

If the actual audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with HKFRS (the "**Actual Profits**") shall be less than the Guaranteed Profits, the Vendor shall compensate the Purchaser with an amount in respect of the shortfall calculated according to the following formula (the "**Compensation Sum**"):

$$\text{Compensation Sum} = \frac{(\text{Guaranteed Profits} - \text{Actual Profits})}{\text{Guaranteed Profits}} \times \text{Consideration}$$

For the avoidance of doubt, if the Actual Profits shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation Sum payable by the Vendor shall not exceed the amount of the Consideration.

The Actual Profits shall be determined according to the audited financial statements of the HK Subsidiary for the year ending 31 March 2019 which shall be prepared in accordance with the HKFRS and reported by the auditor nominated by the Purchaser within 3 months after the said period or any other date as agreed by the Vendor and the Purchaser (the "**2019 Audit**"). The cost of appointing such auditor will be borne by the Purchaser.

The Compensation Sum shall be settled by the Vendor with the Purchaser by way of set off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash (the "**Cash Compensation**"). The Vendor shall settle and pay all relevant amount that is payable within 14 Business Days upon the issuance of the 2019 Audit. For the avoidance of doubt, no interest shall accrue or payable to the holder of the Promissory Note in respect of any amount under the Promissory Note being set off and all such interests of the remaining amount of the Promissory Note, if any, will only be accrued upon the full settlement of all relevant amount payable by the Vendor (the "**PN Interest Arrangement**").

The Guaranteed Profits was arrived at after arm's length negotiations between the Parties with reference to (i) historical financial performance of the Target Group with profit-making record; (ii) the business development and future prospect of the Target Group; and (iii) prospect of wine industry in Hong Kong.

The Board noted that the HK Subsidiary recorded net loss of approximately HK$1 million in the second half of the financial year ended 31 March 2018 (the "**2H 2018**"). The Board has discussed with the management of the Target Group and was given to understand that such loss is not attributed to seasonal factor but mainly due to the combined effect of (i) reduction of profit margin of the HK Subsidiary for its customer expansion by adopting a competitive pricing strategy; and (ii) the increase in marketing expenses of the HK Subsidiary by approximately 100% during 2H 2018 as compared with six months ended 30 September 2017. The HK Subsidiary has devoted extra sales and marketing effort during 2H 2018 to identify potential customers and to increase public awareness of its market presence. During 2H 2018, the HK Subsidiary has hosted over 10 wine tasting events and participated in over 3 wine exhibitions and wine fairs. The management of the Target Group further indicated to the Board that the aforesaid incidents were aperiodic.

As shown in the accountants' report on the HK Subsidiary as set out in Appendix IIB to this circular, the HK Subsidiary recorded an audited net profits of approximately HK$4.8 million for the six months ended 30 September 2018, represented approximately 48% of the Guaranteed Profits.

According to the management accounts of the HK Subsidiary for the seven months ended 31 October 2018, the net profits of the HK Subsidiary increased further to approximately HK$6.5 million (the "**October Profits**") and represented approximately 65% of the Guaranteed Profits. Based on the Guaranteed Profits, the theoretical net profits of the HK Subsidiary for the seven months ended 31 October 2018 estimated on a pro-rata basis would be approximately HK$5.83 million (the "**Theoretical October Profits**"). The October Profits exceed the Theoretical October Profits by approximately 11.5%.

The Board has also enquired and discussed with the management of the Target Group regarding the proposed business development of the Target Group ("**Business Development**") which covers (i) expansion of the sales network with inclusion of fine-dining restaurants, clubs and department stores for the year ending 31 March 2019; (ii) adoption of new sales channel of online retail platform and consignment through gas station; and (iii) the negotiation between the Target Group's appointed distributor and a major hotel group in Malaysia for purchase of wine products in 2019, which a tender offer is expected to be submitted in the first quarter of 2019.

In relation to the Business Development, the Board has enquired and discussed with the management of the Target Group regarding (i) the existing business model and the proposed expansion plan of the Target Group; and (ii) the proposed timing and status of the Business Development.

In view of the foregoing, namely (i) there is no seasonal factor which will affect the financial performance of the HK Subsidiary; (ii) the October Profits exceed the Theoretical October Profits and represent approximately 65% of the Guaranteed Profits; and (iii) the implementation of the Business Development, the Board considers that the Guaranteed Profits shall be achievable.

The compensation arrangement with no specific mechanism in place to ensure settlement of the Cash Compensation by the Vendor was arrived at after arm's length negotiation between the Purchaser and the Vendor taking into account the following: (i) prospects of the Target Group given the Business Development; (ii) settlement of the Consideration by issue of the Consideration Shares and the Promissory Note will not impose immediate cashflow burden to the Group; and (iii) based on the formula as shown above for estimating the Compensation Sum and with the Promissory Note accounted for approximately 26.6% of the total Consideration, in order to trigger the Cash Compensation, the Actual Profits shall fall short of the Guaranteed Profits by over 26.6%. It should be noted that the net profits of the HK Subsidiary during the six months ended 30 September 2018 and seven months ended 31 October 2018 already represented approximately 48% and approximately 65% of the Guaranteed Profits respectively.

Conditions Precedent

Completion shall be conditional upon and subject to:

(a) the completion of the due diligence review and investigation on the Target Group (which includes but not limited to, the legal and financial due diligence review) conducted by the Purchaser to its reasonable satisfaction;

(b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;

(c) the Agreement and the sale and purchase of the Sale Shares contemplated thereunder having been approved by the Shareholders at the EGM in accordance with the Applicable Laws;

(d) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective Parties (including but not limited to, the necessary consent from the Stock Exchange and banks);

(e) the Purchaser has been provided with the unaudited consolidated management accounts of the Target Group for the financial period ended 30 September 2018; and

(f) the representations, warranties and undertakings provided by the Vendor set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

The Purchaser may waive the conditions precedent (a) and (e) at its discretion. As at the Latest Practicable Date, condition precedent (e) has been fulfilled. Save as the aforesaid, none of the condition precedent has been fulfilled or waived. If the conditions precedent have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 2:00 p.m. on the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

Completion

Completion shall take place at 2:00 p.m. on the Completion Date after all the conditions of the Agreement have been fulfilled (or waived as the case may be) or such date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK$0.131 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

(i) a premium of approximately 10.08% over the closing price per Share of HK$0.119 as quoted on the Stock Exchange on 22 October 2018, being the date of the Agreement;

(ii) a premium of approximately 6.68% over the average closing price per Share of HK$0.1228 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement;

(iii) a premium of approximately 1.08% over the average closing price per Share of HK$0.1296 as quoted on the Stock Exchange for the ten consecutive trading days immediately preceding the date of the Agreement; and

(iv) a premium of approximately 98.48% over the closing price per Share of HK$0.066 as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 20.0% of the number of issued Shares as at the Latest Practicable Date and represent approximately 16.7% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the General Mandate and will be allotted and issued on the date of Completion. As at the Latest Practicable Date, no Share has been issued and allotted under the General Mandate. The General Mandate will almost be fully utilized upon the allotment and issue of the Consideration Shares.

The aggregate nominal value of the Consideration Shares is HK$4,255,680. The allotment and issue of the Consideration Shares will not result in change in control of the Company.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

THE PROMISSORY NOTE

Set out below are the principal terms of the Promissory Note:

Issuer:	The Purchaser
Principal amount:	HK$20,250,592

Interest:	4% per annum from the date of issue of the Promissory Note, subject to the PN Interest Arrangement (as applicable) set out under the subsection headed "Profit guarantee and compensation" above
Maturity:	2 years from the date of issue of the Promissory Note (the "**Maturity Date**")
Repayment:	Due and repayable on the Maturity Date
Transferability:	The Promissory Note may only be transferable and assignable by the Parties to any party with prior written approval of the Parties
Early repayment:	The Purchaser may pay to the Vendor prior to the Maturity Date any outstanding principal amount (together with the accrued interests) of the Promissory Note

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor. The Target Company is an investment holding company, with the HK Subsidiary, being the operating entity of the Target Group, is principally engaged in trading of wine products in Hong Kong.

The Target Group generates revenue from the sales and distribution of wine products through operations of the HK Subsidiary. The HK Subsidiary commenced wine products trading business in October 2008 with a focus in selling Australian wine brands, which include 141 types of red wine and 42 types of white wine, sparkling wine, pink wine and sweet wine from Australia. The wine product portfolio of the HK Subsidiary (the "**Wine Products**"), which principally comprises of red wine, can broadly be categorised according to price range into (i) the premium wine products of 54 types of middle class to luxury wine products which targets at high net worth individuals, restaurants and corporate customers under the brand name including "Palinda", "Woodside Valley Estate", etc.; and (ii) 129 types of daily house wine products have more affordable and competitive retail prices and cater the budget buyers under the brand name including "Adinfern Estate", "Western Range", etc. The Wine Products will be reviewed from time to time based on feedback from wine distributors, direct customers and market information collected through suppliers, public industry reports and other publications.

The principal sales channels of the Wine Products comprise of (i) sales to wine retailers and distributors, which involve the resale of wine products to retail shops, hotels and restaurants, etc; and (ii) direct sales to corporate and individual end-users. Leveraging on the customer base and network of the wine distributors, the HK Subsidiary has established an extensive sales and distribution network in Hong Kong for its wine products through physical and online channels ranging from grocery store, local restaurant, wine shop and online platform. For the year of 2018, the HK Subsidiary has over 5 distributors which will resale the Wine Products to their customers (the "**Distributors' Customers**"). The Distributors' Customers mainly comprised of over 15 restaurants, 2 grocery stores and 4 retail points which include 2 wine retailers and 1 gas station. The Distributors' Customers are located in various districts in Hong Kong, including but not limited to the tourism and office areas such as Tsim Sha Tsui and Central, as well as in densely populated residential areas such as Tsuen Wan and Tseung Kwan O.

As advised by the management of the Target Group, (i) the HK Subsidiary only conducts operation in Hong Kong and does not have any direct operation in the PRC; and (ii) the HK Subsidiary has obtained all the necessary permits, licenses and certificates (as applicable) for its operation in wine trading in Hong Kong.

FINANCIAL INFORMATION OF THE TARGET GROUP

According to the accountants' report on the HK Subsidiary, being the operating entity of the Target Group, as set out in Appendix IIB to this circular, key financial data of the HK Subsidiary for the years ended 31 March 2017 and 31 March 2018 are set out as follows:

	For the year ended 31 March 2017 (audited) *HK$'000*	**For the year ended 31 March 2018** (audited) *HK$'000*
Turnover	48,969	51,555
Profit before taxation	5,184	7,069
Profit after taxation	5,041	5,917

According to the accountants' report on the HK Subsidiary, the HK Subsidiary recorded net assets of approximately HK$11.6 million as at 30 September 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (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.

As disclosed in the annual report of the Company for the year ended 31 December 2017, in order to expand the Group's existing operations and diversify its businesses and income base to maximise the interests of the Group and the Shareholders as a whole, the Group has been reviewing its operations and proactively seeking potential investment opportunities.

The Group commenced its wine trading business in the first half of 2018. The Group's wines are mainly from various reputable vineyards and wineries from Australia, with a focus on the red wine as the major product, complemented by other alcoholic beverage such as sweet wine from time to time according to customer tastes and preferences. The major customers for the Group's wine products include different wine distributors and high net-worth individuals.

During the nine months ended 30 September 2018, the wine trading operation of the Group has achieved positive results and recorded revenue of approximately HK$31.88 million (accounted for approximately 24% of the Group's total revenue) with a segment profit of approximately HK$2.37 million. The entire revenue of the Group's wine business comes from Hong Kong for the nine months ended 30 September 2018.

In view of the positive results for the nine months ended 30 September 2018 since the commencement of the wine trading operation of the Group and the prospect of the wine industry in Hong Kong (as further discussed below), 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 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 of the wine industry. Apart from continuing efforts in product portfolio expansion and marketing, with the view of enhancing the operating scale and performance of the wine trading segment, the Directors have considered various business strategies, which include acquisition of wine merchants in Hong Kong.

In evaluating a potential acquisition target, the Board will consider factors of the acquisition target including (i) the track records and financial performance; (ii) the existing customer base and supplier portfolio; and (iii) the expertise and experience of the staff. After considering the operating history, business model, operation scale and profit-making financial results of the HK Subsidiary, the Board is in the view that the Acquisition 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 industry. As such, the Board believes that further expansion of wine trading business through the Acquisition will broaden the income stream of the Group and is in the interests of the Company and the shareholders as a whole.

The Board noted that the HK Subsidiary has purchased goods from a related party (being a company wholly-owned by a former director of the HK Subsidiary (resigned in June 2018)) (the "**Party A**") and a deemed connected person (the "**Party B**") during each of the three years ended 31 March 2018 and six months ended 30 September 2018. The HK Subsidiary and each of Party A and Party B have not entered into any long term supply contracts. It is noted that following resignation of the former director which took place in June 2018, HK Subsidiary is still able to purchase goods from each of Party A and Party B. As advised by the management of the Target Group, in respect of those products purchased from Party A and Party B, the HK Subsidiary is able to identify alternative sources of supply and has purchased such products from other suppliers since August 2017. The HK Subsidiary has been broadening its sources of supply and purchases from related companies recorded decrease in year ended 31 March 2018 and for the six months ended 30 September 2018. As disclosed in the accountants' report on the HK Subsidiary in Appendix IIB to this circular, amount of purchase from related companies by the HK Subsidiary decreased from approximately HK$67.8 million for year ended 31 March 2017 to approximately HK$33.7 million for the year ended 31 March 2018. For the six months ended 30 September 2018, purchase from related companies also decreased to approximately HK$22 million as compared with approximately HK$24.1 million for the six months ended 30 September 2017. In view of the foregoing, the Board considers that the Acquisition will not have impact on the HK Subsidiary's on-going supplies and sales of goods upon Completion (the "**Matter**") and therefore no arrangement is in place in respect of the Matter.

As at 30 September 2018, the HK Subsidiary has a total of 5 employees. The sales director of the HK Subsidiary has joined the HK Subsidiary for 4 years and has over 10 years of experience in the industry of wine trading and has developed an extensive network with suppliers and customers, which is crucial in identifying and capitalizing business opportunities. Also, the marketing manager of the HK Subsidiary who possesses extensive experience and in-depth knowledge in the wine trading markets, which enables the HK Subsidiary to keep abreast of the latest market trends and understand the needs of the clients. The Group will enter into service agreement to retain existing key management of the HK Subsidiary after Completion. The Group will also consider appointing additional suitable candidates to ensure efficient operation of the HK Subsidiary.

To facilitate the development of Hong Kong as a wine trading and distribution hub to meet the growing demands in Asia, the Hong Kong government has removed all import duties and administrative controls for wine in February 2008. Further, to facilitate the movement of wine imports into the PRC through Hong Kong, the Customs and Excise Department of Hong Kong and the General Administration of Customs of the PRC signed the "Cooperation Arrangement on Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong" (the "**Measures**") in 2010. Under such customs facilitation measures, registered wine companies are allowed to import wine products into designated ports of the PRC with enhanced customs clearance arrangements, including duty pre-valuation whilst the wines are in Hong Kong and compression of clearance time at ports of the PRC. Since November 2017, the customs clearance arrangement would be extended from 5 to all 42 custom districts in the PRC, which further facilitated the movement of wine re-exports into the PRC. The aforesaid measures and support from the PRC and Hong Kong authorities have provided sales, trade and procurement opportunities in wine trading in Hong Kong. As the Measures is not a necessary permit or condition for wine merchants or distributors for its business development in Hong Kong or the PRC, the Target Group is not a registered wine company under the Measures. However, as advised by the management of the Target Group, in view of the potential business opportunities under the Measures, the Target Group will consider joining the scheme upon future business development.

Hong Kong's wine imports have expanded significantly since the elimination of import duties in February 2008. With reference to the research released on 6 September 2018 by the Hong Kong Trade Development Council, in January – June 2018, imports of wine amounted to HK$6.2 billion, more than three times of the value of HK$1.6 billion in 2007. Furthermore, according to the statistics of Euromonitor International, a global independent provider of strategic market research, for 2017 to 2022, wine sales in Asia is forecasted to grow 6.7% per annum in value terms and 3.1% per annum in volume terms. Wine sales in the PRC is estimated to be the key driver, which is forecasted to grow 10.4% per annum in value terms and 5.0% per annum in volume terms.

The Target Group generates its revenue from the sales and distribution of wine products through operations of the HK Subsidiary. With approximately 10 years of operating history in wine products trading, the HK Subsidiary has established stable business relationship with customers and suppliers. The longest relationship that the HK Subsidiary has with its customers and suppliers exceeds 5 years. The profit before taxation of the HK Subsidiary increased from approximately HK$5.2 million for the year ended 31 March 2017 to approximately HK$7.1 million for the year ended 31 March 2018, representing an increase of approximately 36.5%. Based on the foregoing, the Directors consider that the Acquisition would provide another income stream to the Group.

In light of (i) future prospect of the wine business; and (ii) the role of Hong Kong in wine business as trading and distribution hub for wine products; and (iii) the established business presence and proven profit-making record of the HK Subsidiary, the Directors consider that the Target Group will have a promising prospect and will provide another income stream to the Group. In this regard, the Directors consider that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to expand in the wine trading business with growth potential and to generate diversified income and additional cashflow through the Acquisition.

Furthermore, as the Consideration is satisfied through the issue of the Consideration Shares and the Promissory Note, it will not impose immediate cashflow burden to the Group. In addition, the existence of the Guaranteed Profits and compensation mechanism will effectively reduce the Consideration in the event of shortfall in the Guaranteed Profits. As such, it provides extra protection to the Group regarding the risk of the Target Group not sustaining its initial performance and growth.

In view of the above, the Directors are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the Group's total assets and liabilities would be increased by approximately HK$122.5 million and approximately HK$66.8 million respectively as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

According to the accountants' report on the HK Subsidiary, being the operating entity of the Target Group as set out in Appendix IIB to this circular, the HK Subsidiary recorded an audited consolidated net profit of approximately HK$5.9 million for the year ended 31 March 2018. Upon Completion, the entities comprising the Target Group will become subsidiaries of the Company and results of the Target Group will be consolidated into the results of the Enlarged Group. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares upon Completion:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares upon Completion**	
	Number of Shares	*Approximate % (Note 3)*	*Number of Shares*	*Approximate % (Note 3)*
Director				
Yu Ka Ho *(Note 1)*	256	–*	256	–*
Substantial Shareholder				
KMW Investments Limited *(Note 2)*	254,863,200	11.98	254,863,200	9.98
The Vendor	–	–	425,568,000	16.67
Public Shareholders	1,872,991,187	88.02	1,872,991,187	73.35
Total	2,127,854,643	100	2,553,422,643	100

* *Represents amount less than 0.01%*

Notes:

1. Mr. Yu Ka Ho is an executive Director.

2. KMW Investments Limited is wholly and beneficially owned by Mr. Wong Ryan Tai Cheong.

3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolution in relation to the Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. 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 enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof 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. The 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 wish.

The voting in relation to the Acquisition at the EGM will be conducted by poll whereby any Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolution in relation to the Acquisition at the EGM.

RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Agreement are on normal commercial terms, are fair and reasonable and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board of
FOOD IDEA HOLDINGS LIMITED
Wong Hoi Yu
Chairman and executive Director

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2015, 2016 and 2017, the six months ended 30 June 2018 and the nine months ended 30 September 2018 are disclosed on pages 45 to 143 of the 2015 annual report published on 24 March 2016, pages 47 to 149 of the 2016 annual report published on 27 March 2017, pages 50 to 152 of the 2017 annual report published on 26 March 2018, pages 4 to 35 of the 2018 interim report published on 13 August 2018 and pages 4 to 12 of the 2018 third quarterly report published on 13 November 2018 respectively, which are published on both the GEM website (http://www.hkgem.com) and the website of the Company (http://www.foodidea.com.hk). Please refer to the hyperlinks as stated below:

2015 annual report:

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

2016 annual report:

http://www.hkexnews.hk/listedco/listconews/GEM/2017/0330/GLN20170330405.pdf

2017 annual report:

http://www.hkexnews.hk/listedco/listconews/GEM/2018/0328/GLN20180328417.pdf

2018 interim report:

http://www.hkexnews.hk/listedco/listconews/GEM/2018/0813/GLN20180813213.pdf

2018 third quarterly report:

http://www.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113169.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group has the following liabilities:

(a) Borrowings

As at the close of business on 31 October 2018 (being the latest practicable date for the purpose of this indebtedness statement), the Enlarged Group had bank overdrafts of approximately HK$17.3 million and outstanding borrowings of approximately HK$59.2 million, comprising secured bank installment loans of approximately HK$49.2 million and secured other borrowing of HK$10.0 million. All the bank overdrafts and bank borrowings are guaranteed and bank overdrafts of approximately HK$7.3 million and bank borrowings of approximately HK$12.9 million are secured by the following assets held by the Group:

(i) Investment properties with carrying amount of approximately HK$26.3 million and their respective rental income generated; and

(ii) Certain property, plant and equipment with carrying amount of approximately HK$12.0 million.

Other borrowing is secured by the entire issued share capital of Food Idea Capital Limited, an indirect wholly-owned subsidiary of the Company.

(b) Promissory notes

As at the close of business on 31 October 2018 (being the latest practicable date for the purpose of this indebtedness statement), the Enlarged Group had outstanding promissory notes with principal amount of approximately HK$92.3 million. All promissory notes are unsecured, bearing interest at 2% per annum and repayable in 2 years.

Save as disclosed above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any other outstanding indebtedness at the close of business on 31 October 2018 or any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges or hire purchase commitments, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Target Group

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

The Target Group is principally engaged in trading of wine products in Hong Kong. The HK Subsidiary, being the operating entity of the Target Group, commenced business in October 2008 with a focus in selling Australian wine brands. The HK Subsidiary offers a wide spectrum of wine products ranging from entry-level to luxury fine wine. The HK Subsidiary has established an extensive sales and distribution network in Hong Kong ranging from grocery store, local restaurant, wine shop to online platform. According to the accountants' report on the HK Subsidiary, being the operating entity of the Target Group as set out in Appendix IIB to this circular, the HK Subsidiary demonstrated profit-making record for each of the three years ended 31 March 2018 and for the six months ended 30 September 2018.

As disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" in the Letter from the Board, the Directors consider that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to expand in the wine trading business with growth potential and to generate diversified income and additional cashflow through the Acquisition.

The Group

The Group is principally engaged in (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.

In order to expand the Group's existing operations and diversify its businesses and income base to maximise the interests of the Group and the Shareholders as a whole, the Group has been reviewing its operations and proactively seeking potential investment opportunities.

Food Products Operation

For the nine months ended 30 September 2018 ("**2018 Period**"), the food products operation recorded an increment in revenue of around 32% to approximately HK$93.08 million when compared with approximately HK$70.77 million for the nine months ended 30 September 2017 ("**2017 Period**"). Although the revenue of the food products operation recorded a rise of approximately 32% for the 2018 Period, the effect was counteracted by the rise in the food cost, staff cost and other operating costs. As a result, the segment profit dropped from approximately HK$0.51 million for the 2017 Period to approximately HK$0.21 million for the 2018 Period. To broaden the customer base, the Group has started the Taiwanese cuisine takeaway store since December 2017.

With the benefits from the economies of scales and larger market share, the Group believes the food products operation could achieve better performance. The management is committed to bolster the customer base. 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.

Securities Investment Business

With reference to the "HKEx Fact Book 2017" and the "HKEx monthly market highlights" available on the website of the Stock Exchange, the average daily turnover on the Main Board and GEM combined during the eight months ended 31 August 2018 was approximately HK$117.4 billion, an increase of approximately 33.1% as compared with approximately HK$88.2 billion for the year ended 31 December 2017.

As at 30 September 2018, the Group had a portfolio of securities investment classified as financial assets at fair value through profit or loss of approximately HK$5.18 million (31 December 2017: HK$80.30 million) and all of them were equity securities/fund listed in Hong Kong. For the 2018 Period, the Group recorded a net unrealised gain of HK$2.10 million (2017 Period: HK$20.89 million) and a net realised loss of approximately HK$49.86 million (2017 Period: HK$41.75 million) in its entire securities investment.

The management of the Group 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.

Money Lending Business

As disclosed in the Monthly Statistical Bulletin published by the Hong Kong Monetary Authority in October 2018, the total loans and advances of all authorised money lending institutions in Hong Kong increased from approximately HK$8,951 billion in August 2017 to approximately HK$9,708 billion in August 2018, indicating a rising demand in the money lending market in Hong Kong.

The Group's money lending business maintained a stable performance. During the 2018 Period, it generated interest income of approximately HK$6.04 million (2017 Period: HK$8.63 million). Attributable to a reversal of provision for impairment on loan and interest receivables of HK$4 million during the 2018 Period, the Group recorded an increase in segment profit to approximately HK$9.41 million (2017 Period: HK$7.60 million).

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

Wine Trading

Wine industry in Hong Kong has been developed for years. With the help of the removal of all wine duties by the Hong Kong government 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.

The Group has expanded its business to wine trading in the first half of 2018. During the 2018 Period, the Group recorded segment revenue in wine trading of approximately HK$31.88 million and segment profit of approximately HK$2.37 million. 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 of the wine industry. With the positive results, the Board believes the new expansion of business, including but not limited to the Acquisition, will broaden the income stream of the Group and is in the interests of the Company and the Shareholders as a whole.

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, Lucky Dessert (China) Holdings Limited and its subsidiaries (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 focused on developing its restaurant network through local business partners in the PRC, instead of operating its self-owned restaurant.

As at 30 September 2018, the Lucky Dessert Group had six (31 December 2017: six) dessert catering restaurants which were operated by local business partners in Tianjin, Taiyuan, Nanjing and Shenzhen. The management reckons that "Lucky Dessert" possesses the distinctive attributes to be a competitive brand in the PRC's causal catering industry.

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 following is the text of a report received from the Company's reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

10/F, 8 Observatory Road,
Tsimshatsui,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FOOD IDEA HOLDINGS LIMITED

Introduction

We report on the historical financial information of Palinda Holding Group Limited (the "Target Company") set out on pages IIA-4 to IIA-23, which comprises the statement of financial position as at 31 March 2018 and 30 September 2018 and the statement of profit or loss and other comprehensive income, statements of change in equity and statement of cash flows for each of the period from 13 December 2017 (date of incorporation) to 31 March 2018 and the six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-23 form an integral part of this report which has been prepared for inclusion in the circular dated 13 December 2018 issued by Food Idea Holdings Limited in connection with the acquisition of entire issued share capital of Target Company. (the "Circular").

Director's responsibility for the Historical Financial Information

The director of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2018 and 30 September 2018 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong
13 December 2018

Siu Jimmy
Pracitsing Certificate No.: P05898

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar ("HK$"), and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INOME

	Notes	Six months ended 30 September 2018	Period from 13 December 2017 (date of incorporation) to 31 March 2018
		HK$'000	*HK$'000*
Revenue	*4*	–	–
Other operating expenses		(19)	(8)
Loss before taxation	*6*	(19)	(8)
Taxation	*8*	–	–
Loss and total comprehensive expenses for the period attributable to the owners of the Target Company		(19)	(8)

STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2018** *HK$'000*	**As at 31 March 2018** *HK$'000*
Non-current assets			
Interest in a subsidiary	*11*	10	–
Current assets			
Amount due from a director	*12*	–	39
Bank balances and cash	*13*	10	–
		10	39
Net current assets		10	39
Total assets less current liabilities		20	39
Net assets		20	39
Capital and reserves			
Share capital	*14*	47	47
Reserves		(27)	(8)
Total equity		20	39

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*
At 13 December 2017 (date of incorporation)	47	–	47
Loss and total comprehensive expenses for the period	–	(8)	(8)
At 31 March 2018 and 1 April 2018	47	(8)	39
Loss and total comprehensive expenses for the period	–	(19)	(19)
At 30 September 2018	47	(27)	20

STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September 2018	Period from 13 December 2017 (date of incorporation) to 31 March 2018
		HK$'000	*HK$'000*
Operating activities			
Loss before taxation		(19)	(8)
Operating cash flows before movements in working capital		(19)	(8)
Decrease (increase) in amount due from a director		39	(39)
Net cash from (used in) operating activities		20	(47)
Investing activities			
Payment for acquisition of a subsidiary		(10)	–
Net cash used in investing activities		(10)	–
Financing activities			
Issue of ordinary shares		–	47
Net cash from financing activities		–	47
Net increase in cash and cash equivalents		10	–
Cash and cash equivalents at beginning of the period		–	–
Cash and cash equivalents at end of the period		10	–
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		10	–

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

The Target Company is a company incorporated in the British Virgin Islands (the "BVI") with limited liability. The address of the registered office Target Company is Portcullis Chambers, 4 Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands, VG1110.

The Target Company is an investment holding company and its subsidiary is principally engaged in the trading of wine products.

The Historical Financial Information is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Target Company.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied all HKFRSs which are effective for the financial year beginning on 1 April 2018 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.*

[3] *No mandatory effective date but is available for early adoption.*

The directors anticipate that the application of these new and amendments to HKFRSs and interpretation, other than those set out below, will have no material impact on the Historical Financial Information.

3. Significant accounting policies

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost at the end of each Relevant Periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

The Target Company did not generate any revenue during the Relevant Periods.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'loss before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on tangible assets

At the end of each Relevant Periods, the Target Company reviews the carrying amounts of its interest in a subsidiary to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Company's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis of debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Loans and receivables (including amount due from a director) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial assets because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and short-term bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provision

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Revenue

The Target Company did not generate any revenue during the Relevant Periods.

5. Segment information

The Target Company is an investment holding company. Since this is the only operating segment of the Target Company, no further analysis thereof is presented.

The Target Company's operation and operating assets are substantially located in Hong Kong. Accordingly, no geographical segment information is presented.

Geographical information

The Target Company's did not generate any revenue during the Relevant Periods and all of the Target Company's non-current assets are located in Hong Kong by physical location of assets.

Revenue from major customers

No revenue is derived from a single customer of the Target Company which amounted for over 10% of the Target Company's total revenue.

6. Loss before taxation

The Target Company's loss before taxation has been arrived at after charging the following item:

	Six months ended 30 September 2018	Period from 13 December 2017 (date of incorporation) to 31 March 2018
	HK$'000	*HK$'000*
Preliminary expenses	–	8

7. Directors' and employees' emoluments

(a) Directors' emoluments

Mr. Wong Tsz Fai was appointed as the director of the Target Company since 13 December 2017 (date of incorporation) and resigned on 12 June 2018. Ms. Huang Wei was appointed as the director of the Target Company since 12 June 2018.

During the Relevant Periods, no emoluments paid/payable by the Target Company for their service.

During the Relevant Periods, no emoluments were paid by the Target Company to these individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

During the Relevant Periods, the Target Company did not have any employee who is not director of the Target Company. According, no information regarding five highest paid individuals presented.

8. Income tax expenses

During the Relevant Periods, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Target Company had no assessable profits for the Relevant Periods.

Income tax charges for the Relevant Periods can be reconciled to the loss before taxation per the statements of profit or loss and other comprehensive income as follows:

	Six months ended 30 September 2018	**Period from 13 December 2017 (date of incorporation) to 31 March 2018**
	HK$'000	*HK$'000*
Loss before taxation	(19)	(8)
Tax at the domestic income tax of 16.5%	(3)	(1)
Tax effect of expenses not deductible for tax purpose	3	1
Income tax for the period	–	–

9. Loss per share

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

10. Dividends

No dividend was paid or declared by the Target Company during the Relevant Periods.

11. Interest in a subsidiary

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Unlisted shares, at cost	10	–

During the Relevant Periods, the Target Company has equity interests in the following subsidiary:

Name of subsidiary	Place of incorporation/ establishment	Registered capital	Equity interest attributable to the Target Company as at 30 September 2018	Equity interest attributable to the Target Company as at 31 March 2018	Principal activities
Directly held:					
Palinda Wines (H.K.) Limited	Hong Kong	10,000 ordinary share	100%	–	Trading of wines products

The subsidiary of the Target Company is private limited liability company and has adopted 31 March as their financial year end date.

12. Amount due from a director

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Wong Tsz Fai	–	39

The amount due is unsecured, interest-free and have no fixed repayment terms.

Maximum amounts outstanding due from a director disclosed are as follows:

	Six months ended 30 September 2018	Period from 13 December 2017 (date of incorporation) to 31 March 2018
	HK$'000	*HK$'000*
Wong Tsz Fai	39	47

13. Bank balance and cash

Cash at banks carry interest at prevailing market rates per annum as at 31 March 2018 and 30 September 2018.

14. Share capital

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
Authorized:		
50,000 ordinary shares of USD1 each	390	390
Issued and fully paid:		
6,000 ordinary shares of USD1 each	47	47

15. Capital risk management

The Target Company manages its capital to ensure that entities in the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged in the Relevant Periods.

The capital structure of the Target Company consists of equity attributable to owners of the Target Company, comprising issued share capital and accumulated losses.

The director of the Target Company review the capital structure on an annual basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital. Based on the results of the review of the director of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

16. Financial instrument

Categories of financial instruments

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including bank balances and cash)	10	39

Financial risk management objectives and policies

The Target Company's major financial instruments include amount due from a director and bank balances and cash. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Company's financial instruments are credit risk. The Target Company's overall financial risk management objectives and policies remain unchanged in the Relevant Periods. The directors of the Target Company review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The credit risk on bank balances is limited because of the concentration of credit risk on liquid funds which are deposited with several banks of high credit ratings. Target Company does not have significant concentration of credit risk.

Fair values measurement of financial instruments

The director of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

17. Subsequent financial statements

No audited financial statements of the Target Company has been prepared in respect of any period subsequent to 30 September 2018.

The following is the text of a report received from the Company's reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

10/F, 8 Observatory Road,
Tsimshatsui,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FOOD IDEA HOLDINGS LIMITED

Introduction

We report on the historical financial information of Palinda Wines (H.K.) Limited (the "HK Subsidiary") set out on pages IIB-5 to IIB-48, which comprises the statement of financial position as at 31 March 2016, 2017, 2018 and 30 September 2018 and the statement of profit or loss and other comprehensive income, statements of change in equity and statement of cash flows for each of the three years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-5 to IIB-48 form an integral part of this report which has been prepared for inclusion in the circular dated 13 December 2018 issued by Food Idea Holdings Limited in connection with the acquisition of entire issued share capital of HK Subsidiary (the "Circular").

Directors' responsibility for the Historical Financial Information

The directors of the HK Subsidiary are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the HK Subsidiary's financial position as at 31 March 2016, 2017, 2018 and 30 September 2018 and of HK Subsidiary's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of HK Subsidiary which comprises statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the HK Subsidiary are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-5 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by HK Subsidiary in respect of the Relevant Periods.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong
13 December 2018

Siu Jimmy
Pracitsing Certificate No.: P05898

HISTORICAL FINANCIAL INFORMATION OF THE HK SUBSIDIARY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Palinda Wines (H.K.) Limited (the "HK Subsidiary") was incorporated in Hong Kong with limited liability and engaged in trading of wine products in Hong Kong.

The HK Subsidiary has adopted 31 March as the financial year end date.

The statutory financial statements of the HK Subsidiary for the each of the three years ended 31 March 2018 have been prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Standards ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Raymond Y.K.Tse & Co. CPA Limited registered in Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The directors of the HK Subsidiary have prepared the financial statements of the HK Subsidiary for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar ("HK$"), and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INOME

	Notes	Six months ended 30 September 2018 HK$'000	Six months ended 30 September 2017 HK$'000 (unaudited)	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000
Revenue	*5*	38,053	36,469	51,555	48,969	24,292
Other income	*7*	25	46	46	121	1
Cost of inventories consumed		(29,707)	(26,520)	(40,254)	(41,360)	(20,902)
Employee benefits expenses		(411)	(399)	(905)	(1,460)	(624)
Depreciation		(28)	(13)	(33)	(6)	–
Operating lease rentals and related expenses		–	–	(290)	–	–
Other operating expenses		(1,332)	(1,273)	(2,840)	(1,037)	(883)
Finance costs	*8*	(1,079)	(27)	(210)	(43)	–
Profit before taxation	*9*	5,521	8,283	7,069	5,184	1,884
Taxation	*11*	(743)	(1,350)	(1,152)	(143)	–
Profit and total comprehensive income for the period/year attributable to the owners of the HK Subsidiary		4,778	6,933	5,917	5,041	1,884

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000
Non-current assets					
Property, plant and equipment	14	210	124	26	–
Current assets					
Inventories	15	19,827	20,268	26,671	–
Trade receivables	16	11,983	1,828	38	417
Amount due from a director	17	–	–	1,429	1,538
Amounts due from related companies	18	–	–	932	–
Prepayment, deposits and other receivables	16	27,975	31,394	144	3,087
Bank balances and cash	20	419	1,398	673	130
		60,204	54,888	29,887	5,172
Current liabilities					
Trade payables	21	7,331	–	15,334	4,214
Other payables, accruals and deposit received	21	374	760	11,132	423
Amounts due to related companies	19	–	–	–	4,634
Income tax payable		2,039	1,296	143	–
Borrowings	22	39,033	46,097	2,362	–
		48,777	48,153	28,971	9,271
Net current assets/(liabilities)		11,427	6,735	916	(4,099)
Total assets less current liabilities		11,637	6,859	942	(4,099)
Net assets/(liabilities)		11,637	6,859	942	(4,099)
Capital and reserves					
Share capital	23	10	10	10	10
Reserves		11,627	6,849	932	(4,109)
Total equity		11,637	6,859	942	(4,099)

STATEMENT OF CHANGES IN EQUITY

	Share capital	(Accumulated losses)/Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	10	(5,993)	(5,983)
Profit and total comprehensive income for the year	–	1,884	1,884
At 31 March 2016 and 1 April 2016	10	(4,109)	(4,099)
Profit and total comprehensive income for the year	–	5,041	5,041
At 31 March 2017 and 1 April 2017	10	932	942
Profit and total comprehensive income for the year	–	5,917	5,917
At 31 March 2018 and 1 April 2018	10	6,849	6,859
Profit and total comprehensive income for the period	–	4,778	4,778
At 30 September 2018	10	11,627	11,637
At 1 April 2017	10	932	942
Profit and total comprehensive income for the period	–	6,933	6,933
At 30 September 2017 (unaudited)	10	7,865	7,875

STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September 2018	2017	Year ended 31 March 2018	2017	2016
		HK$'000	HK$'000 (unaudited)	HK$'000	HK$'000	HK$'000
Operating activities						
Profit before taxation		5,521	8,283	7,069	5,184	1,884
Adjustments for:						
Depreciation		28	13	33	6	–
Finance costs		1,079	27	210	43	–
Operating cash flows before movements in working capital		6,628	8,323	7,312	5,233	1,884
Decrease (increase) in inventories		441	2,340	6,403	(26,671)	–
(Increase) decrease in trade receivables		(10,155)	(10,388)	(1,790)	379	(257)
Decrease in amount due from director		–	1,429	1,429	109	3,233
Decrease (increase) in amount due from related companies		–	–	932	(932)	–
Decrease (increase) in prepayment, deposits and other receivables		3,419	5	(31,250)	2,943	(3,044)
Increase (decrease) in trade payables		7,331	587	(15,334)	11,120	4,214
(Decrease) increase in other payables, accruals and deposit received		(386)	(1,831)	(10,372)	10,709	(24)
Decrease in amount due to related companies		–	–	–	(4,634)	(5,984)
Cash from (used in) operating activities		7,278	465	(42,670)	(1,744)	22
Interest paid		(1,079)	(27)	(210)	(43)	–
Net cash from (used in) operating activities		6,199	438	(42,880)	(1,787)	22
Investing activities						
Purchases of property, plant and equipment		(114)	(127)	(131)	(32)	–
Net cash used in investing activities		(114)	(127)	(131)	(32)	–
Financing activities						
New borrowing raised		–	–	43,130	2,362	–
Repayment of borrowings		(15,942)	(216)	(361)	–	–
Net cash (used in) from financing activities		(15,942)	(216)	42,769	2,362	–
Net decrease (increase) in cash and cash equivalents		(9,857)	95	(242)	543	22
Cash and cash equivalents at the beginning of the period/year		431	673	673	130	108
Cash and cash equivalents at the end of the period/year		(9,426)	768	431	673	130
Analysis of the balances of cash and cash equivalents						
Bank balances and cash		419	768	1,398	673	130
Bank overdrafts		(9,845)	–	(967)	–	–
		(9,426)	768	431	673	130

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Palinda Wines (H.K.) Limited (the "HK Subsidiary") is a company established in Hong Kong with limited liability. The address of the registered office and the principal place of business of the HK Subsidiary is Room 410, 4th Floor, Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon.

The HK Subsidiary is principally engaged in trading of wine products.

The Historical Financial Information is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the HK Subsidiary.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the HK Subsidiary has consistently applied all HKFRSs which are effective for the financial year beginning on 1 April 2018 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.*

[3] *No mandatory effective date but is available for early adoption.*

The directors anticipate that the application of these new and amendments to HKFRSs and interpretation, other than those set out below, will have no material impact on the Historical Financial Information.

3. Significant accounting policies

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information contained in this accountants' report does not constitute the HK Subsidiary's statutory financial statements for either of the years ended 31 March 2016, 2017 or 2018 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the HK Subsidiary is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The HK Subsidiary's auditor has reported on these financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinances.

The Historical Financial Information have been prepared on the historical cost basis at the end of each Relevant Periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the HK Subsidiary takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sales of wines is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The HK Subsidiary has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The HK Subsidiary retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the HK Subsidiary and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including plant and machinery, furniture and fixtures and office equipment held for use in the sales of goods, or for administrative purposes are stated in statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The HK Subsidiary as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

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

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The HK Subsidiary's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the HK Subsidiary expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the HK Subsidiary becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Before the adoption of HKFRS 9 on 1 April 2018

The HK Subsidiary's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amount due from director, amount due from related companies, deposit and other receivables and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting is immaterial.

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the HK Subsidiary's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, amount due from director, amount due from related companies and deposits and other receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, amount due from director, amount due from related companies and deposits and other receivables, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

After application of HKFRS 9

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance HKFRS 15.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

All recognised financial assets of the HK Subsidiary (including trade receivables and other receivables, amounts due from related parties and bank balances and cash) are subsequently measured at amortised costs.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the "other income" line item.

Impairment of financial assets

Impairment under ECL model

The HK Subsidiary recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and other receivables, amounts due from related parties and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The HK Subsidiary always recognises lifetime ECL for trade receivables and measures the lifetime ECL on a collective basis for portfolios of trade receivables that share similar economic risk characteristics. The ECL on these financial assets are estimated using analysis of customers' risk type (i.e. credit impaired, high risk, normal risk and low risk) and apply a probability weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the HK Subsidiary measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the HK Subsidiary recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the HK Subsidiary compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the HK Subsidiary considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the HK Subsidiary presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the HK Subsidiary assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The HK Subsidiary considers that default has occurred when the instrument is more than 90 days past due unless the HK Subsidiary has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The HK Subsidiary also considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the HK Subsidiary).

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the HK Subsidiary in accordance with the contract and all the cash flows that the HK Subsidiary expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The HK Subsidiary recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Write-off policy

The HK Subsidiary writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the HK Subsidiary's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the HK Subsidiary is classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The HK Subsidiary's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities of amortised cost

Financial liabilities (including trade payables, other payables and accruals, amount due to related companies and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVPTL.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the HK Subsidiary's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Defined contribution retirement benefit plans

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Employee entitlements

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Provision

Provisions are recognised when the HK Subsidiary has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value is material).

4. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment loss for bad and doubtful debts

The HK Subsidiary makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. Revenue

An analysis of the HK Subsidiary's revenue for the Relevant Periods are as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Sales of wines	38,053	36,469	51,555	48,969	24,292

6. Segment information

The HK Subsidiary's operating segment is trading of wine products. Since this is the only operating segment of the HK Subsidiary, no further analysis thereof is presented.

The HK Subsidiary's operation and operating assets are substantially located in Hong Kong. Accordingly, no geographical segment information is presented.

Geographical information

The HK Subsidiary's revenue are all derived from Hong Kong based on the location of goods delivered and all of the HK Subsidiary's non-current assets are located in Hong Kong by physical location of assets.

Revenue from major customers

Revenue from customers of the Relevant Periods contributing over 10% of the total revenue of the HK Subsidiary are as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Customer A	–	–	–	–	5,870
Customer B	–	–	–	–	4,818
Customer C	–	–	–	N/A*	4,278
Customer D	–	–	–	–	4,168
Customer E	–	7,311	7,311	7,949	–
Customer F	24,957	4,165	6,774	7,040	–
Customer G	–	9,076	9,076	N/A*	–

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Customer H	–	5,839	5,839	–	–
Customer I	–	4,889	N/A*	–	–
Customer J	6,458	–	–	–	–

* *The corresponding revenue did not contribute over 10% of the total sales of the HK Subsidiary during the Relevant Periods.*

7. Other income

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Sundry income	25	46	46	121	1

8. Finance cost

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Interest on borrowings	427	27	98	43	–
Interest on overdraft	127	–	13	–	–
Interest on trust receipt loan	525	–	99	–	–
	1,079	27	210	43	–

9. Profit before taxation

The HK Subsidiary's profits before taxation has been arrived at after charging the following items:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Employee benefits expenses (including director's emoluments)					
Salaries, wages and other benefits	392	381	862	1,409	594
Contribution to retirement benefits scheme – defined contribution plan	19	18	43	51	30
	411	399	905	1,460	624
Auditor's remuneration	–	–	30	30	30
Operating lease rental in respect of rented premises	–	–	290	–	–

10. Directors' and employees' emoluments

(a) Directors' emoluments

Ms. Li Siu Ying and Mr. Wong Dak Sun were appointed as the directors of the HK Subsidiary since 1 April 2015 and resigned on 12 June 2018. Mr. Wong Tsz Fai was appointed as the directors of the HK Subsidiary on 14 February 2017 and resigned on 7 February 2018. Ms. Huang Wei was appointed as the director of the HK Subsidiary on 12 June 2018. Their emoluments for the Relevant Periods paid/payable by the HK Subsidiary during the Relevant Periods for their service are as follow:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–
Salaries, allowance and benefits	120	120	240	460	240
Retirement benefit contributions	6	6	12	23	12
	126	126	252	483	252

The remuneration of each director for the year ended 31 March 2016 is set out as below:

	Fees	**Salaries, allowance and benefits**	**Retirement benefit contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Li Siu Ying	–	–	–	–
Mr. Wong Dak Sun	–	240	12	252
	–	240	12	252

The remuneration of each director for the year ended 31 March 2017 is set out as below:

	Fees	Salaries, allowance and benefits	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Li Siu Ying	–	240	12	252
Mr. Wong Dak Sun	–	220	11	231
Mr. Wong Tsz Fai	–	–	–	–
	–	460	23	483

The remuneration of each director for the year ended 31 March 2018 is set out as below:

	Fees	Salaries, allowance and benefits	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Li Siu Ying	–	240	12	252
Mr. Wong Dak Sun	–	–	–	–
Mr. Wong Tsz Fai	–	–	–	–
	–	240	12	252

The remuneration of each director for the six months ended 30 September 2017 (unaudited) is set out as below:

	Fees	Salaries, allowance and benefits	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Li Siu Ying	–	120	6	126
Mr. Wong Dak Sun	–	–	–	–
Mr. Wong Tsz Fai	–	–	–	–
	–	120	6	126

The remuneration of each director for the six months ended 30 September 2018 is set out as below:

	Fees	Salaries, allowance and benefits	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Li Siu Ying	–	120	6	126
Mr. Wong Dak Sun	–	–	–	–
Mr. Wong Tsz Fai	–	–	–	–
	–	120	6	126

During the Relevant Periods, no emoluments were paid by the HK Subsidiary to these individuals as an inducement to join or upon joining the HK Subsidiary or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the HK Subsidiary, one was director for the year ended 31 March 2016, 2018 and the six months ended 30 September 2017, 2018 and two were directors for the year ended 31 March 2017, whose emoluments are included in the disclosures in Note 10(a) above. The remaining individuals were as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
	HK'000	*HK'000* (unaudited)	*HK'000*	*HK'000*	*HK'000*
Salaries and other benefits	272	261	555	750	354
Retirement benefit contributions	14	12	28	19	18
	286	273	583	769	372

The number of the five highest paid individuals who are not directors of the HK Subsidiary whose emoluments fell are within the following band is as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
Nil to HK$1,000,000	3	4	4	3	3

11. Income tax expenses

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Current income tax					
– Hong Kong:					
Current year provision	743	1,350	1,152	143	–

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the years ended 31 March 2016, 2017 and 2018, and for the six months ended 30 September 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Income tax charges for the Relevant Periods can be reconciled to the profits before taxation per the statements of profit or loss and other comprehensive income as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Profit before taxation	5,521	8,283	7,069	5,184	1,884
Tax at the domestic income tax of 16.5%	911	1,367	1,166	855	311
Tax effect of income not taxable for tax purpose	(13)	(13)	(14)	(5)	–
Tax effect of expenses not deductible for tax purpose	10	26	30	1	1
Tax effect on two-tiered profits tax rates regime	(165)	–	–	–	–
Utilisation of tax loss not recognised in prior years	–	–	–	(688)	(312)
Tax concession	–	(30)	(30)	(20)	–
Income tax expenses for the period/year	743	1,350	1,152	143	–

12. Earnings per share

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

13. Dividends

No dividend was paid or declared by the HK Subsidiary during the Relevant Periods.

14. Plant and equipment

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
COST			
At 1 April 2015, 31 March 2016 and 1 April 2016	72	163	235
Addition	4	28	32
At 31 March 2017 and 1 April 2017	76	191	267
Addition	128	3	131
At 31 March 2018 and 1 April 2018	204	194	398
Addition	114	–	114
At 30 September 2018	318	194	512
ACCUMULATED DEPRECIATION			
At 1 April 2015, 31 March 2016 and 1 April 2016	72	163	235
Provided for the year	1	5	6
At 31 March 2017 and 1 April 2017	73	168	241
Provided for the year	27	6	33
At 31 March 2018 and 1 April 2018	100	174	274
Provided for the period	25	3	28
At 30 September 2018	125	177	302

	Furniture and fixtures	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
CARRYING VALUES			
At 30 September 2018	193	17	210
At 31 March 2018	104	20	124
At 31 March 2017	3	23	26
At 31 March 2016	–	–	–

The above items of property, plant and equipment are depreciated over their estimated useful lives, after taking into account their estimated residual value, on a straight-line basis, as follows:

Furniture and fixtures	20%
Office equipment	20%

15. Inventories

	As at 30 September	As at 31 March		
	2018	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wines	19,827	20,268	26,671	–

16. Trade receivables, prepayments, deposits and other receivables

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Trade receivables *(Note a)*	11,983	1,828	38	417
Prepayment, deposits and other receivables *(Note b)*	27,975	31,394	144	3,087
	39,958	33,222	182	3,504

Notes:

(a) Included in the balance as at 31 March 2018 and 30 September 2018, there were approximately HK$1,323,000 receivable from a related company.

(b) Included in the balance as at 31 March 2018 and 30 September 2018, there were approximately HK$31,249,000 and HK$27,843,000 paid to a related company, a company controlled by a director of the HK Subsidiary (resigned in June 2018), for purchases of goods.

The aging analysis of trade receivables, presented based on invoice date which approximates the respective revenue recognition dates, at the end of each Relevant Period is as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Within 30 days	2,242	1,601	9	376
31 – 60 days	7,963	108	3	8
61 – 90 days	398	70	6	30
Over 90 days	1,380	49	20	3
	11,983	1,828	38	417

The HK Subsidiary has not provided for impairment loss because there is no recent history of default.

The HK Subsidiary does not hold any collateral over its trade receivables, deposits and other receivables.

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
1 – 30 days	7,882	72	7	5
Over 30 days	1,517	50	21	29
	9,399	122	28	34

The HK Subsidiary allows a credit period from 0 to 60 days to its customers. Included in the HK Subsidiary's trade receivables balance as at 31 March 2016, 2017 and 2018 and 30 September 2018 were receivables of approximately HK$34,000, HK$28,000, HK$122,000 and HK$9,399,000 that were past due as at the end of each Relevant Periods.

17. Amount due from a director

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000
Wong Dak Sun	–	–	1,429	1,538

The amount due is unsecured, interest-free and have no fixed repayment terms.

Maximum amounts outstanding due from a director disclosed are as follows:

	Six months ended 30 September 2018 HK$'000	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000
Wong Dak Sun	–	–	7,270	5,850

18. Amount due from related companies

Amount due from related company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

	As at 30 September 2018	As at 31 March 2018	As at 31 March 2017	As at 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	–	–	932	–

The amount due is unsecured, interest-free and have no fixed repayment terms.

Maximum amounts outstanding due from related companies disclosed are as follows:

	Six months ended 30 September 2018	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	–	932	932	–

19. Amounts due to related companies

The amounts due are unsecured, interest-free and have no fixed repayment terms.

20. Bank balances and cash

Cash at banks carry interest at prevailing market rates per annum as at 31 March 2016, 2017, 2018 and 30 September 2018.

21. Trade payables, other payables, accruals and deposits received

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Trade payables *(Note a)*	7,331	–	15,334	4,214
Other payables	–	–	2	3
Accruals	140	259	480	373
Deposit received	234	501	10,650	47
	374	760	11,132	423
	7,705	760	26,466	4,637

Notes:

(a) Included in the balances as at 30 September 2018, 31 March 2017 and 31 March 2016, there were approximately HK$7,250,000, HK$15,334,000 and HK$4,214,000 payable to a related company.

The HK Subsidiary normally received credit term of 30 days from its suppliers. An aged analysis of the HK Subsidiary's trade payables, as at the end of each Relevant Periods, based on the invoice date, is as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Within 30 days	81	–	2,402	2,664
31 – 60 days	7,250	–	2,562	1,550
61 – 90 days	–	–	5,833	–
Over 90 days	–	–	4,537	–
	7,331	–	15,334	4,214

22. Borrowings

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Bank overdraft	9,845	967	–	–
Bank loans	29,188	32,000	2,362	–
Trust receipt loan	–	13,130	–	–
Secured bank borrowings	39,033	46,097	2,362	–

As at 31 March 2017, 31 March 2018 and 30 September 2018, the facility agreements of bank loans, trust receipt loan and bank overdrafts contained repayment on demand clauses pursuant to which the banks could at their discretion demand repayment of the entire outstanding balances from the HK Subsidiary in the absence of any defaults. The whole balance is therefore recognised under current liabilities.

The following table presents the scheduled repayments set out in the loan agreements:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Within one year	11,509	17,738	362	–
After one year but within two years	1,708	1,684	2,000	–
After two years but within five years	5,421	5,346	–	–
More than five years	20,395	21,329	–	–
	39,033	46,097	2,362	–

As at 31 March 2018 and 30 September 2018, bank overdrafts carrying interest at the Hong Kong Dollar Best Lending Rate minus 1.25% per annum and the higher of Hong Kong Prime Rate minus 1.75% and overnight Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum respectively.

As at 31 March 2017, 31 March 2018 and 30 September 2018, bank loans carrying interest from one-month HIBOR plus 2% per annum to Hong Kong Prime Rate minus 2.5% per annum.

As at 31 March 2018, trust receipt loan carrying interest at 4.5% per annum.

The effective interest rate at the end of each Relevant Periods is as follows:

	As at 30 September	As at 31 March		
	2018	2018	2017	2016
Bank overdraft	3.5%	4%	–	–
Bank loan	3.5%	3.5%	2.75%	–
Trust receipt loan	–	4.5%	–	–

As at 31 March 2017, 31 March 2018 and 30 September 2018, the Group had banking facilities for loans and other facilities (including letter of guarantee). These facilities are secured by:

(a) properties held by the directors of the HK Subsidiary and related companies;

(b) unlimited guarantees from the directors of the HK Subsidiary and related companies;

(c) limited guarantee from related companies; and

(d) pledged bank deposits held by a related company.

All the bank borrowing are denominated in HK$ except for the trust receipt loan which is denominated in Australian Dollar.

23. Share capital

	As at 30 September	As at 31 March		
	2018	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid 10 ordinary shares	10	10	10	10

24. Retirement benefit scheme

The HK Subsidiary operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the HK Subsidiary is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee. Contributions to the MPF Scheme vest immediately.

The total expense recognised in profit or loss as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Retirement benefit contribution made during the period/year	19	18	43	51	30

25. Related party transactions

(a) Save as disclosed elsewhere in the Historical Financial Information, the HK Subsidiary has the following significant transactions with the related parties during the Relevant Periods:

	Six months ended 30 September		Year ended 31 March		
	2018	**2017**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Rental expenses paid to a related companies	–	–	283	–	–
Purchases of goods from related companies	21,989	24,104	33,720	67,789	20,902
Sales of goods to related company	–	–	4,589	–	–
Advertising fee expenses paid to related company	–	–	–	–	70

(b) Compensation of key management personnel

Key management personnel emoluments during the Relevant Periods are as follows:

	Six months ended 30 September		Year ended 31 March		
	2018	2017	2018	2017	2016
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Short-term benefits	48	120	240	460	240
Post-employment benefits	2	6	12	23	12
	50	126	252	483	252

26. Capital risk management

The HK Subsidiary manages its capital to ensure that entities in the HK Subsidiary will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The HK Subsidiary's overall strategy remains unchanged in the Relevant Periods.

The capital structure of the HK Subsidiary consists of debt, which is the bank borrowings disclosed in Note 22, and equity attributable to owners of the HK Subsidiary, comprising issued paid-in capital, capital reserve and retained profits.

The directors of the HK Subsidiary review the capital structure on an annual basis. As part of this review, the directors of the HK Subsidiary consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the directors of the HK Subsidiary, the HK Subsidiary will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

27. Financial instruments

Categories of financial instruments

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Financial assets				
Loan and receivables (including bank balances and cash)				
At amortised cost	40,376	34,592	3,188	2,085
Financial liabilities				
At amortised cost	46,504	46,355	18,178	9,224

Financial risk management objectives and policies

The HK Subsidiary's major financial instruments include trade receivables, deposits and other receivables, amount due from director, amounts due from related companies, bank balances and cash, trade payables, other payables and accruals, amounts due to related companies and borrowings. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the HK Subsidiary's financial instruments are market risk (interest rate risk), credit risk and liquidity risk. The HK Subsidiary's overall financial risk management objectives and policies remain unchanged in the Relevant Periods. The directors of the HK Subsidiary review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The HK Subsidiary's exposure to fair value interest rate risk relates to its fixed-rate bank borrowing. The HK Subsidiary's exposure to cash flow interest rate risk relates to its variable-rate bank balances. No sensitivity analysis has been presented because the HK Subsidiary's exposure to cash flow interest rate risk is not significant.

Credit risk

The HK Subsidiary's maximum exposure to credit risk which will cause a financial loss to the HK Subsidiary due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The HK Subsidiary's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the HK Subsidiary's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the HK Subsidiary reviews the recoverable amount of each individual debt at the ends of each Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the HK Subsidiary's credit risk is significantly reduced.

The credit risk on bank balances is limited because of the concentration of credit risk on liquid funds which are deposited with several banks of high credit ratings. The HK Subsidiary does not have significant concentration of credit risk.

Liquidity risk

To manage the liquidity risk, the HK Subsidiary monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the HK Subsidiary and mitigate the effects of fluctuations in cash flows. The HK Subsidiary expects to fund its future cash flow needs through internally generated cash flows from operations, bank borrowings, as well as financing through owners.

The following tables detail the remaining contractual maturity of the HK Subsidiary for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the HK Subsidiary can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each Relevant Periods. The amounts included below for non-derivative variable rate financial liabilities are subject to change if change in interest rates differ to those estimates of interest rates determined at the end of each Relevant Periods.

At 31 March 2016	**With one year or on demand**	**1-5 years**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities				
Trade payables	4,214	–	4,214	4,214
Other payables and accruals	376	–	376	376
Amount due to related companies	4,634	–	4,634	4,634
	9,224	–	9,224	9,224

At 31 March 2017	**With one year or on demand**	**1-5 years**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities				
Trade payables	15,334	–	15,334	15,334
Other payables and accruals	482	–	482	482
Borrowings *(Note i)*	2,362	–	2,362	2,362
	18,178	–	18,178	18,178

At 31 March 2018	With one year or on demand	1-5 years	Total undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities				
Other payables and accruals	259	–	259	259
Borrowings *(Note i)*	46,097	–	46,097	46,097
	46,356	–	46,356	46,356

At 30 September 2018	With one year or on demand	1-5 years	Total undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities				
Trade payables	7,331	–	7,331	7,331
Other payables and accruals	140	–	140	140
Borrowings *(Note i)*	39,033	–	39,033	39,033
	46,504	–	46,504	46,504

Notes:

(i) As at 31 March 2017, 2018 and 30 September 2018, borrowing with a repayment on demand clause are included in the "within one year or on demand" time band in the above maturity analysis. Taking into account the HK Subsidiary's financial position, the directors of the HK Subsidiary do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of HK Subsidiary believe that the instalment loans will be repaid in accordance with the scheduled repayment dates set out in the loans agreements.

As at 31 March 2018 and 30 September 2018, included in borrowings, approximately HK$967,000 and HK$9,845,000 respectively represented bank overdrafts with on demand clause of which no interest element considered in the calculation of undiscounted cash flow.

(ii) The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each Relevant Periods.

Fair values measurement of financial instruments

The directors of the HK Subsidiary consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

28. Subsequent financial statements

No audited financial statements of the HK Subsidiary has been prepared in respect of any period subsequent to 30 September 2018.

1. INTRODUCTION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information") has been prepared by the directors of the Company to illustrate the effect of the acquisition (the "Acquisition") of entire issued share capital of Palinda Holding Group Limited (the "Target Company") (together with its subsidiary collectively referred to as the "Target Group") (the Target Group together with the Group hereinafter referred to as the "Enlarged Group").

The Unaudited Pro Forma Financial Information have been prepared based on (1) the unaudited consolidated statement of financial position of the Group as at 30 June 2018, which has been extracted from interim report of the Company for the six months ended 30 June 2018, (2) the audited statement of financial position of the Target Company as at 30 September 2018, which has been extracted from the accountants' report of the Target Company as set out in Appendix IIA to the Circular and (3) the audited statement of financial position of the HK Subsidiary as at 30 September 2018, which has been extracted from the accountants' report of the Target Company as set out in Appendix IIB to the Circular after making certain pro forma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of the Target Company as set out in Appendix IIA of the Circular, the financial information of the HK Subsidiary as set out in Appendix IIB of the Circular and other financial information included elsewhere in the Circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2018	The Target Company as at 30 September 2018	The HK Subsidiary as at 30 September 2018	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Unaudited)	(Audited)	(Audited)			
	(Note 1)	*(Note 2)*	*(Note 3)*			
Non-current assets						
Property, plant and equipment	20,010	–	210			20,220
Goodwill	1,310	–	–	62,076	*(5)*	63,386
Intangible asset	4,172	–	–			4,172
Interests in a subsidiary	–	10	–	(10)	*(4)*	–
Interests in associates	46,785	–	–			46,785
Interests in joint ventures	24,830	–	–			24,830
Amount due from an associate	8,631	–	–			8,631
Available-for-sale investments	1,000	–	–			1,000
Rental deposits	229	–	–			229
Deposits paid for acquisition of property, plant and equipment	98	–	–			98
Deferred tax assets	29	–	–			29
Loan receivables	5,423	–	–			5,423
	112,517	10	210			174,803
Current assets						
Inventories	132,367	–	19,827			152,194
Loan and interest receivables	92,426	–	–			92,426
Trade receivables	19,813	–	11,983			31,796
Loan to an associate	3,000	–	–			3,000
Amounts due from associates	465	–	–			465
Amounts due from joint ventures	169	–	–			169
Prepayments, deposits and other receivables	4,239	–	27,975			32,214
Income tax recoverable	9	–	–			9
Financial assets at fair value through profit or loss	10,457	–	–			10,457
Bank balances and cash	36,320	10	419			36,749
	299,265	10	60,204			359,479
Assets classified as held for sale	26,815	–	–			26,815
	326,080	10	60,204			386,294

	The Group as at 30 June 2018 HK$'000 (Unaudited) (Note 1)	The Target Company as at 30 September 2018 HK$'000 (Audited) (Note 2)	The HK Subsidiary as at 30 September 2018 HK$'000 (Audited) (Note 3)	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Current liabilities						
Trade payables	5,565	–	7,331			12,896
Other payables, accruals and deposits received	30,843	–	374			31,217
Income tax payable	175	–	2,039			2,214
Borrowings	10,917	–	39,033			49,950
	47,500	–	48,777			96,277
Liabilities associated with assets classified as held for sale	9,830	–	–			9,830
	57,330	–	48,777			106,107
Net current assets	268,750	10	11,427			280,187
Total assets less current liabilities	381,267	20	11,637			454,990
Non-current liabilities						
Promissory note	–	–	–	17,974	(5)	17,974
Net assets	381,267	20	11,637			437,016

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Figures are extracted from the consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 September 2018.

(2) Figures are extracted from the Target Company's statement of financial position as at 30 September 2018 included in the accountants' report of the Target Company as set out in Appendix IIA to the Circular.

(3) Figures are extracted from the HK Subsidiary's statement of financial position as at 30 September 2018 included in the accountants' report of the HK Subsidiary as set out in Appendix IIB to the Circular.

(4) The adjustment represented the elimination of the investment cost of the HK Subsidiary from the Target Company to the issued share capital of the HK Subsidiary.

(5) Pursuant to the sale and purchase agreement (the "Acquisition Agreement") entered into between Arrow Vision Limited (a direct wholly-owned subsidiary of the Company), the Company and Ms. Huang Wei (the "Vendor"), the total consideration amounting to HK$76 million, which shall be satisfied as to (i) approximately HK$55.7 million by way of allotment and issue of 425,568,000 ordinary shares at the issue price of HK$0.131 per share, to the Vendor credited as fully paid and (ii) approximately HK$20.3 million by the issue of the promissory note. The adjustment reflects the recognition of goodwill of approximately HK$62.1 million, arising from the Acquisition, as if the Acquisition had been completed on 30 June 2018 as follows:

	HK$'000
Consideration	
Consideration shares	
(425,568,000 ordinary share × HK$0.131 per share)	55,749
Promissory note *(Note)*	17,974
	73,723
Net assets of the Target Company as at 30 September 2018, excluding the interest in a subsidiary of HK$10,000	10
Net assets of the HK Subsidiary as at 30 September 2018	11,637
Goodwill	62,076

Note:

Pursuant to the sale and purchase agreement of the Acquisition, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with the HKFRS shall be no less than HK$10,000,000 (the "Guaranteed Profits").

If the actual audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with HKFRS (the "Actual Profits") shall be less than the Guaranteed Profits, the Vendor shall compensate the Purchaser with an amount in respect of the shortfall calculated according to the following formula (the "Compensation Sum"):

$$\text{Compensation Sum} = \frac{(\text{Guaranteed Profits} - \text{Actual Profits})}{\text{Guaranteed Profits}} \times \text{Consideration}$$

The Compensation Sum shall be settled by the Vendor with the Purchaser by way of set off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash (the "Cash Compensation"). The Vendor shall settle and pay all relevant amount that is payable within 14 Business Days upon the issuance of the 2019 Audit. For the avoidance of doubt, no interest shall accrue or payable to the holder of the Promissory Note in respect of any amount under the Promissory Note being set off and all such interests of the remaining amount of the Promissory Note, if any, will only be accrued upon the full settlement of all relevant amount payable by the Vendor.

In accordance with HKFRS 3 *Business Combination*, when the consideration transferred by the acquirer in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Accordingly, the Promissory Note is subject to the profit guarantee stated above and is accounted for contingent consideration under HKFRS 3. The fair value of the Promissory Note as at 30 June 2018 is estimated by using discounted cash flow method under which all expected cash flows to be generated by the Promissory Note discounted by the applicable effective interest rate of 9% to arrive at its present values. The application effective interest rate is determined with reference to bond yields of comparable debt instruments with similar credit rating of the Company.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Elite Partners CPA Limited, in respect of the unaudited pro forma financial information of the Enlarged Group.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

10/F, 8 Observatory Road,
Tsimshatsui,
Hong Kong

4. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF FOOD IDEA HOLDINGS LIMITED

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Food Idea Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and Palinda Holding Group Limited (the "Target Company") and its subsidiary (the "Target Group") (collectively the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2018 and related notes as set out in Appendix III of the circular (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition (the "Acquisition") of the entire equity interest in the Target Company on the Group's financial position as at 30 June 2018 as if the Acquisition had taken place on 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018, on which no independent auditor's review report has been published, the information about the Target Company's financial position as at 30 September 2018 has been extracted by the Directors from the accountants' report of the Target Company as set out in Appendix IIA to the Circular, and the information about the HK Subsidiary's financial position as at 30 September 2018 has been extracted by the Directors from the accountants' report of the HK Subsidiary as set out in Appendix IIB to the Circular.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM 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" ("AG 7") 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 requirements 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.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA 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 Accountants' Responsibilities

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

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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occured or transaction 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 Acquisition as at 30 June 2018 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 in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related 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 Acquisition 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 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong
13 December 2018

Siu Jimmy
Practising Certificate Number P05898

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018 based on the financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW AND FINANCIAL REVIEW OF OPERATIONS

Since the incorporation, the Target Company is an investment holding company. During the Relevant Periods, the Target Company does not have material assets except for the investment in HK Subsidiary. Accordingly, set out below is the management discussion and analysis of the HK Subsidiary for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018, which is based on detailed financial information of the HK Subsidiary as set out in the accountants' report in Appendix IIB to this circular.

Business review

The HK Subsidiary is principally engaged in the sales and distribution of wine products in Hong Kong. The HK Subsidiary commenced wine products trading business in October 2008.

The HK Subsidiary's operating segment is trading of wine products. Since this is the only operating segment of the HK Subsidiary, no further analysis thereof is presented.

Financial review

Revenue

The HK Subsidiary had recorded a total revenue of approximately HK$24,292,000, HK$48,969,000 and HK$51,555,000 for the years ended 31 March 2016, 2017 and 2018 and approximately HK$36,469,000 and HK$38,053,000 for the six months ended 30 September 2017 and 2018, respectively.

The increase in revenue for the year ended 31 March 2017 as compared with the corresponding period was mainly attributable to increase in 5 retailers and distributors, which involve the resale of wine products to retail shops.

The slightly increase in revenue for the year ended 31 March 2018 as compared with the corresponding period was mainly attributable to increase in over 100 corporate and individual end users.

The slightly increase in revenue for the six months ended 30 September 2018 as compared with the corresponding period was mainly attributable to expansion of sales networks by 13 more restaurants and increase in 9 retail points.

Cost of inventories consumed

The cost of inventories consumed of the HK Subsidiary amounted to approximately HK$20,902,000, HK$41,360,000 and HK$40,254,000,for the years ended 31 March 2016, 2017 and 2018 and approximately HK$26,520,000 and HK$29,707,000 for the six months ended 30 September 2017 and 2018, respectively.

The increase in cost of inventories consumed for the year ended 31 March 2017 as compared with the corresponding period was mainly attributable to corresponding increase in sales.

The decrease in cost of inventories consumed for the year ended 31 March 2018 as compared with the corresponding period was mainly attributable to decrease in per unit cost of wine.

The increase in cost of inventories consumed for the six months ended 30 September 2018 as compared with the corresponding period was mainly attributable to corresponding increase in sales.

Other operating expenses

The other operating expense of the HK Subsidiary for the years ended 31 March 2016, 2017 and 2018 were approximately HK$883,000, HK$1,037,000 and HK$2,840,000 and for the six months ended 30 September 2017 and 2018 were approximately HK$1,273,000 and HK$1,332,000, respectively.

The increase in other operating expense for the year ended 31 March 2017 as compared with the corresponding period was mainly attributable to the increase in operating expenses.

The increase in other operating expense for the year ended 31 March 2018 as compared with the corresponding period was mainly attributable to the increase in advertising and exhibition expenses.

The increase in other operating expenses for the six months ended 30 September 2018 as compared with the corresponding period was mainly attributable to the increase in operating expenses.

Profit for the year/period

The HK Subsidiary recorded profit for the year of approximately HK$1,884,000, HK$5,041,000 and HK$5,917,000 for the years ended 31 March 2016, 2017 and 2018 and approximately HK$6,933,000 and HK$4,778,000 for the six months ended 30 September 2017 and 2018, respectively.

The increase in profit for the year ended 31 March 2017 as compared with the corresponding period was mainly attributable to the increase in revenue.

The increase in profit for the year ended 31 March 2018 as compared with the corresponding period was mainly attributable to the increase in revenue and the decrease in cost of inventories consumed.

The decrease in profit for the six months ended 30 September 2018 as compared with the corresponding period was mainly attributable to increase in cost of sales.

Liquidity and financial resources

(i) As at 31 March 2016, 2017 and 2018 and 30 September 2018, cash and cash equivalents of the HK Subsidiary comprise of (1) bank balances and cash of approximately HK$130,000, HK$673,000, HK$1,398,000 and HK$419,000 respectively, and (2) bank overdraft of approximately HK$967,000 and HK$9,845,000 as at 31 March 2018 and 30 September 2018.

(ii) As at 31 March 2016, 2017 and 2018 and 30 September 2018, the current ratio (defined as total current assets divided by total current liabilities) of the HK Subsidiary were approximately 0.56 times, 1.03 times, 1.14 times and 1.23 times respectively and the gearing ratio, being the ratio of the total liabilities to total assets, was approximately 1.79 times, 0.97 times, 0.88 times and 0.81 times respectively.

(iii) As at 31 March 2018 and 30 September 2018, the HK Subsidiary has purchase deposit of HK$ 31,249,000 and HK$27,843,000 paid to a company controlled by a director of the HK Subsidiary (resigned in June 2018) for locking up the capacity of bulk wine with a lower cost.

(iv) The HK Subsidiary had net liabilities of approximately HK$4.1 million as at 31 March 2016 and net assets of approximately HK$0.9 million, HK$6.9 million and HK$11.6 million as at 31 March 2017, 2018 and 30 September 2018 respectively. The increase in net assets was mainly due to the operating profit resulted in recent years.

(v) The HK Subsidiary had bank overdraft and borrowings of HK$2.4 million, HK$46.1 million and HK$39.0 million as at 31 March 2017, 2018 and 30 September 2018 respectively. As at 31 March 2018 and 30 September 2018, bank overdrafts carrying interest at the Hong Kong Dollar Best Lending Rate minus 1.25% per annum and the higher of Hong Kong Prime Rate minus 1.75% and overnight Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum respectively. As at 31 March 2017, 31 March 2018 and 30 September 2018, bank loans carrying interest from one-month HIBOR plus 2% per annum to Hong Kong Prime Rate minus 2.5% per annum. As at 31 March 2018, trust receipt loan carrying fixed interest at 4.5% per annum. As at 31 March 2017, 2018 and 30 September 2018, the contractual maturities of the HK Subsidiary's bank overdraft and borrowings are within one year or on demand as those borrowings contained a repayment on demand clause. All bank borrowings are denominated in HK$ except for the trust receipt loan of approximately HK$13.1 million as at 31 March 2018 which is denominated in Australian Dollar.

Pledge of assets

As at 31 March 2016, 2017, 2018 and 30 September 2018, the HK Subsidiary did not have any pledge of assets.

Commitments

As at 31 March 2016, 2017, 2018 and 30 September 2018, the HK Subsidiary did not have any operating lease or capital commitments.

Contingent liabilities

The HK Subsidiary had no material contingent liabilities as at 31 March 2016, 2017, 2018 and 30 September 2018.

Treasury Policy

The HK subsidiary had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the three years ended 31 March 2016, 2017, 2018 and for the six months ended and 30 September 2018.

Employees

The HK Subsidiary had 5 employees as at 30 September 2018. The remunerations paid to the HK Subsidiary's employees for the years ended 31 March 2016, 2017 and 2018 were approximately HK$624,000, HK$1,460,000 and HK$905,000 and for the six months ended 30 September 2017 and 2018 were approximately HK$399,000 and HK$411,000, respectively.

The remuneration package for the employees generally includes salary and discretionary bonuses. The employees also receive welfare benefits, including retirement benefits, occupational injury insurance and other miscellaneous items. Annual review of the performance of the employees is conducted for determining the level of bonus, salary adjustment and promotion. The HK Subsidiary will provide in-house or out-sourced training to the employees as and when necessary. The HK Subsidiary did not have any share option scheme during the Relevant Periods.

Foreign currency exposure

The HK Subsidiary's exposure to risk resulting from changes in foreign currency exchange rates is minimal as most of the transactions are conducted in HK$ for the years ended 31 March 2016, 2017, 2018 and for the six months ended 30 September 2018. The impact of fluctuations in foreign currency on the HK Subsidiary was minimal and the HK Subsidiary did not have any foreign currency hedging policy.

Significant investment, material acquisition and disposal

The HK Subsidiary did not have any significant investment, material acquisition or disposal for the years ended years ended 31 March 2016, 2017, 2018 and for the six months ended 30 September 2018.

Future plan

The HK Subsidiary is now focusing on trading of wine products. It may continuously to look for valuable investment opportunities. There is no target being identified as at the Latest Practicable Date.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from ARM Appraisals Limited, an independent valuer, in connection with their valuation as of 30 September 2018 of Palinda Wines (H.K.) Limited (i.e., the HK Subsidiary).

ARM Appraisals Limited

17/F, No. 80 Gloucester Road,
Wanchai, Hong Kong

13 December 2018

The Board of Directors
Food Idea Holdings Limited
Room A, 6/F., CNT Tower,
338 Hennessy Road,
Wan Chai, Hong Kong

Dear Sirs/Madams,

Valuation of 100% equity interest of Palinda Wines (H.K.) Limited as of 30 September 2018

INSTRUCTION

This report has been prepared solely for Food Idea Holdings Limited (the "Company"), which has engaged ARM Appraisals Limited ("ARM" or "we") to perform a valuation of 100% equity interest of Palinda Wines (H.K.) Limited (i.e., the HK Subsidiary) as of 30 September 2018 (the "Date of Valuation").

This report states the purpose of valuation, basis of valuation, scope of work, source of information, overview of the HK Subsidiary, overview of the industry, major assumptions, valuation methodology, sensitivity analysis, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, ARM acknowledges that this report may be made available to the Company for public documentation purpose and used as reference on the Company's circular dated 13 December 2018 (the "Circular").

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

2. BASIS OF VALUATION

Our valuation is based on **fair value**. According to Hong Kong Financial Reporting Standard 13 – Fair Value Measurement, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the HK Subsidiary and/or their representative(s) (collectively the "Management"). In the course of our valuation work, we have conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions provided:

- Discussed with the Management in relation to the background, development, operations, financial performance and other relevant information of the HK Subsidiary;
- Reviewed relevant financial information, operational information and other relevant data concerning the HK Subsidiary;
- Reviewed and discussed with the Management on the business development concerning the HK Subsidiary provided to us by the Management;
- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market and obtained relevant statistical figures from public sources;
- Examined relevant basis and assumptions of both the financial and operational information of the HK Subsidiary, which were provided by the Management;
- Prepared a valuation model to derive the fair value of the HK Subsidiary; and
- Presented all relevant information on the scope of work, source of information, overview of the HK Subsidiary, overview of the industry, major assumptions, valuation methodology, sensitivity analysis, limiting conditions, remarks and conclusion of value in this report.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. SOURCE OF INFORMATION

For the purpose of our valuation, we have been provided with the information in respect of the HK Subsidiary prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- Background information of the HK Subsidiary's business operations and relevant corporate information;

- Audited financial statement of the HK Subsidiary;

- Registrations, legal documents, permits and licenses related to the HK Subsidiary;

- The economic outlook in general and the specific economic environment and market elements affecting the HK Subsidiary, industry and market; and

- Bloomberg Database and other reliable sources of market data.

We have also conducted research from public sources and carried out site inspection to assess the reasonableness and fairness of information provided. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

5. OVERVIEW OF THE HK SUBSIDIARY

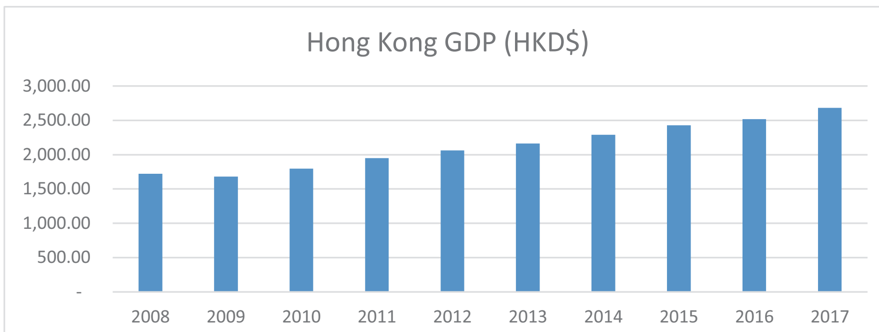
Palinda Wines (H.K.) Limited (i.e., the HK Subsidiary) is a company incorporated in British Virgin Islands with limited liability. The HK Subsidiary commenced wine products trading business in October 2008 with a focus in selling Australian wine brands. The HK Subsidiary offers a wide spectrum of wine products ranging from entry-level to luxury fine wine. The HK Subsidiary has established an extensive sales and distribution network in Hong Kong ranging from grocery store, local restaurant, wine shop to online platform. The sales channels of the HK Subsidiary include retail sales and wholesales to distributors, direct customers and on-line customers etc.

PALINDA

6. OVERVIEW OF THE INDUSTRY

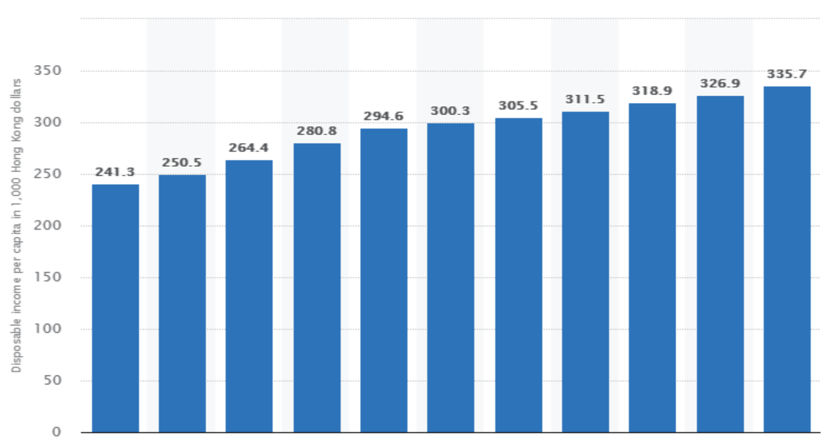
6.1. Overview of the Hong Kong Economic

Hong Kong's GDP has maintained a positive growth since the economic downturn resulting from the global financial crisis in 2008. Between 2008 and 2017, GDP in Hong Kong grew from HK$1,721.4 billion to HK$2,680.4 billion at a CAGR of approximately 4.5% as a result of a steady increase in China's outbound investments channeled through Hong Kong and a stable growth in infrastructure development.



Source: World Bank

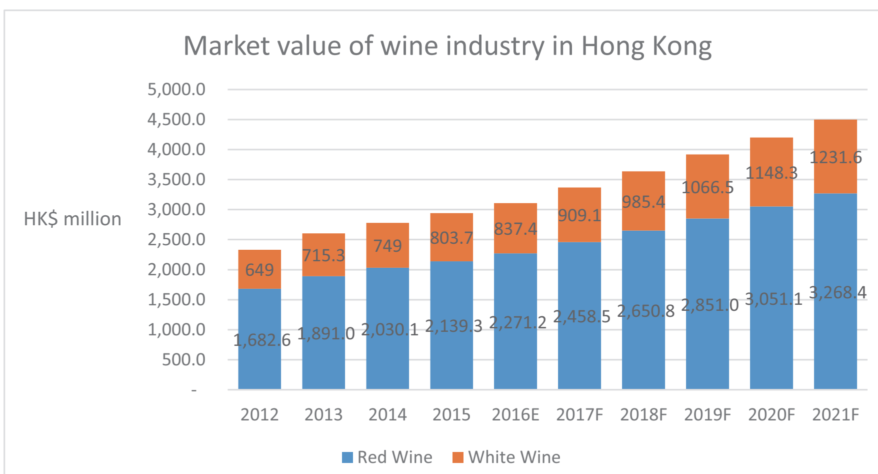
The disposable income per capita in Hong Kong grew from HK$241.3 thousand to HK$311.5 thousand at a CAGR of approximately 3.7% from 2010 to 2017, and is estimated to continue to grow from HK$311.5 to HK$335.7 at a CAGR of about 2.5% from 2017 to 2020, which indicate an optimistic outlook for the sales and consumption of wine in Hong Kong.



Source: The Statistics Portal

6.2. Overview of the Wine Industry in Hong Kong

As there is no local vineyards, estates, wineries or châteaux, most of the wine products in Hong Kong are imported by distributors from local and international company sourcing wines from all over the world. Hong Kong government has facilitated multiple policy in order to develop Hong Kong as a wine trading and distribution center in Asia. First, all wine duties for beverages less than 30 percent alcoholic strength by volume measured at a temperature of 20 degrees has been removed in February 2008. Second, wine related events such as Hong Kong International Wine & Spirits Fair, Restaurant & Bar Hong Kong, Vinexpo Hong Kong and the Wine and Dine Festival are hosted by the Hong Kong government to attract consumers, buyers and sellers of wine products to Hong Kong. Moreover, Hong Kong government has established several wine related trading partnerships with wine producing and purchasing countries in order to keep developing Hong Kong as an international wine trading center.



Source: Ipsos Report

From 2012 to 2016, Hong Kong wine industry has a stable growth driven by the rising interest of general customer in wine. Proven as a healthy drink and the decrease in price is the main reason that why wine become popular in general customer. Meanwhile, wine product distribution channel expanded from specialty store to convenience stores and supermarkets, allowing low to medium priced wine products to increasingly penetrate the market.

The total market value of the wine industry in Hong Kong increased from HK$2,331.6 million in 2012 to HK$3,108.8 million in 2016 at a CAGR of 7.5%.

According to the Commerce and Economic Development Bureau of Hong Kong, over 90% of imported wine were red wine. Wine sales and market value growth is mainly driven by red wines market and this trend is estimated to continue in the period between 2017 to 2021.

As the policy of deregulation of wine imports and as one of the biggest wine auction centers in the world, Hong Kong is expected to remain a high growth rate in wines market. During the forecast period, the total wine market value is expected to continuously grow. The market value of wine is estimated to increase from HK$3,367.6 million in 2017 to HK$4,500.1 million in 2021, at a CAGR of 7.5%. The total market value of red wine in Hong Kong is forecasted to continue increasing from HK$2,458.5 million in 2017 to HK$3,268.4 million in 2021, at a CAGR of 7.4%.

7. MAJOR ASSUMPTIONS

In conducting our valuation work, the following assumptions have been adopted in order to sufficiently support our conclusion of value:

- The information provided and the representations made by the Management with regard to the HK Subsidiary's financial and business affairs are accurate and reliable;

- The HK Subsidiary will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development;

- The HK Subsidiary has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the HK Subsidiary operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;

- There will be sufficient supply of technical staff in the industry in which the HK Subsidiary operates or intends to operate, and the HK Subsidiary will retain competent management, key personnel and technical staff to support their ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which the HK Subsidiary operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or market conditions in the localities in which the HK Subsidiary operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the HK Subsidiary;

- There will be no material changes in the relevant interest rates and exchange rates that would impact the HK Subsidiary's business; and

- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the HK Subsidiary as of the Date of Valuation.

In the event actual events do not accord with one or more of the above assumptions, the resulting value of the HK Subsidiary may vary substantially from the figure as set out in this report.

8. VALUATION METHODOLOGY

In conducting the valuation, we have considered three generally accepted approaches, including income approach, market approach and cost approach.

8.1. General Valuation Approaches

8.1.1 Market Approach

The market approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

8.1.2 Income Approach

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

8.1.3 Cost Approach

The cost approach measures the value of an asset by the cost to reproduce or replace it with another of like utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional and economic obsolescence.

8.2. Adopted Approach for the Valuation of the HK Subsidiary

Among the abovementioned valuation approaches, the selection of the valuation approach in valuing the HK Subsidiary is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of the HK Subsidiary's business operations and nature of the industry the HK Subsidiary is participating, professional judgment and technical expertise.

The market approach was considered to be the most appropriate valuation approach in this valuation as it requires far fewer subjective assumptions than the income approach and compared to the cost approach it is more likely to reflect current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future development potentials of the HK Subsidiary. Under the market approach, the guideline public company method is adopted.

8.2.1 Comparable Companies

The fair value of the HK Subsidiary was determined with reference to the business nature and operational information of publicly listed companies that are considered to be comparable to the HK Subsidiary (the "Comparable Companies").

Due to the fact that there is no company is exactly the same as the HK Subsidiary, a set of the Comparable Companies must be selected in valuing the HK Subsidiary. To determine the set of the Comparable Companies, we mainly focused on the following perspectives during the selection process from the public resources (e.g., Bloomberg), including:

(i) The companies are principally engaged in grape wine business;

(ii) The companies are mainly operated in Hong Kong or China;

(iii) The companies are not loss-making; and

(iv) Sufficiency of information (such as listing and operating histories, and availability of the financial information to the public).

Based on the above-mentioned selection criteria, we consider the set of Comparable Companies adopted in the valuation represent a fair and comprehensive list. Details of the Comparable Companies are listed as follows:

Company Name	Stock Code	Business Description
Gansu Mogao Industrial Development CO., LTD	SHSE:600543	Gansu Mogao Industrial Development Co., Ltd. produces malt, grape, wine, and licorice products.
Yantai Changyu Pioneer Wine Company Limited	SZSE:200869	Yantai Changyu Pioneer Wine Company Limited distills, produces, and distributes wine, brandy, sparkling wine, and healthy liquor. The company's main products include dry red wines, dry white wines, sweet wine, XO brandy, VSOP brandy, tank-fermented sparkling wine, sparkling cider, and other spirits.

Company Name	Stock Code	Business Description
Wine's Link International Holdings Limited	SEHK:8509	Wine's Link International Holdings Limited operates as a beverage wholesaler. The company supplies and distributes red, fine red, and white wine, and other alcoholic products. It also sales wine accessory products in Hong Kong.
Grace Wine Holdings Limited	SEHK:8146	Grace Wine Holdings Limited operates as a wine producing and marketing company. The company provides red, white, and sparkling wine, and other related products. Grace Wine Holdings markets its products worldwide. *(Note 2)*
Wei Long Grape Wine Co., Ltd.	SHSE:603779	Wei Long Grape Wine Co., Ltd. grows grapes and produces organic wine. The company operates in China.

Source: Bloomberg

Note 1: As listed companies in wine industry that mainly operate in Hong Kong only with earnings is limited, our selection criteria regarding the operation region need to be extended. Since wine trading companies generally operate across Hong Kong and China as the close economic partnership between Hong Kong and China, we considered that it is fair and reasonable to include listed companies mainly operated in China in our comparable company selection process.

Note 2: According to the listing document of Grace Wine Holdings Limited, international market (besides China and Hong Kong) only contribute a minimal proportion of its revenue.

8.2.2 Adopted Valuation Multiple

To derive the value of the HK Subsidiary, we have adopted Price-to-Earnings ("P/E") multiple, which expresses how much investors are willing to pay for a company's net income. P/E multiple is calculated using the following formula:

P/E multiple = Price per share/Earnings per share

Where,

Price per share	=	Price per share of the company
Earnings per share	=	Average historical per share normalized annual net profit (adjusted for any one-off/extraordinary items) of the company for 2-year latest available financial statement as extracted from the account report

Due to the fact that the Comparable Companies are often of different size than the company being valued and larger companies generally have lower expected returns that translate into higher value. On the other hand, small companies are perceived as more risky in relation to business operation and financial performance, and therefore the expected returns (or discount rate) are higher and resulting in lower valuation multiple. Therefore, the valuation multiple of the Comparable Companies (the "Base Valuation Multiple") was adjusted to reflect the difference in natures between the Comparable Companies and the HK Subsidiary. The adjusted valuation multiple (the "Adjusted Valuation Multiple") was calculated using the following formula:

Adjusted Valuation Multiple = $1/(1/M + \theta)$

Where,

M	=	Base Valuation Multiple
θ	=	Size Premium Differential

The reciprocal of the Base Valuation Multiple in substance refers to the capitalization rate of the market capitalization of the company. Such capitalization rate has not considered difference of the size between the Comparable Companies and the HK Subsidiary.

With reference to 2017 Valuation Handbook – U.S. Guide to Cost of Capital by Duff & Phelps, LLC., a global advisor in the areas of valuation, corporate finance, disputes and investigations founded in 1932. The size premium in the valuation handbook is determined reference to the CRSP U.S. Stock Database and Morningstar Direct database. We are of the opinion that it is fair and reasonable to adopt the study as it involved an extensive collection and analysis of historical data. Depending on the market capitalization of each of the Comparable Companies, size premium differentials of 0% – 7% were adopted as of the Date of Valuation to capture the size difference between the Comparable Companies and the HK Subsidiary. The Adjusted Valuation Multiple was then derived by the reciprocal of the capitalization rate with the adjustment aforementioned.

The size premium differential represents the difference in size premium between the HK Subsidiary and the respective comparable company. The size premiums was determined with reference to Duff & Phelps Valuation Handbook. The size premium differential of the respective comparable company was computed using the following formula:

$\text{Size Premium Differential}_{i} = \text{Size Premium}_{\text{HK Subsidiary}} - \text{Size Premium}_{i}$

Where:

$\text{Size Premium Differential}_{i}$ = size premium differential of comparable company i

$\text{Size Premium}_{\text{HK Subsidiary}}$ = size premium of the HK Subsidiary

Size Premium_{i} = size premium of comparable company i

Details of the Adjusted Valuation Multiple of the Comparable Companies are shown below:

Company Name	Stock Code	Base P/E Multiple as of 30 September 2018	Size Premium of the HK Subsidiary*	Size Premium of Comparable Company*	Size Premium Differential	Adjusted P/E Multiple as of 30 September 2018
Gansu Mogao Industrial Development CO., LTD	SHSE:600543	133.69	8.64%	2.68%	5.96%	14.91
Yantai Changyu Pioneer Wine Company Limited	SZSE:200869	21.03	8.64%	1.51%	7.13%	8.41
Wine's Link International Holdings Limited	SEHK:8509	15.37	8.64%	8.64%	0.00%	15.37
Grace Wine Holdings Limited	SEHK:8146	22.43	8.64%	8.64%	0.00%	22.43
Wei Long Grape Wine Co., Ltd.	SHSE:603779	48.92	8.64%	1.51%	5.96%	12.49
Median		**22.43**				**14.91**

* *The size premium was determined with reference to Duff & Phelps Valuation Handbook*

Source: Comparable Companies' market and financial data

Note: The set of the Comparable Companies adopted in the valuation is considered to represent a fair and comprehensive list due to the similarity of business nature between the HK Subsidiary and the Comparable Companies. After the adjustment of size premium differential, the Adjusted P/E Multiple of the Comparable Companies are within a reasonable range. We do not identify any substantial factors showing that any comparable company should be excluded.

The Adjusted Valuation Multiple (i.e., P/E multiple of 14.91 as of 30 September 2018) was adopted in the valuation, then multiplied by the HK Subsidiary's average net income of approximately HKD5.12 million in 2017 and 2018 audited financial statements (i.e., normalized net income after tax in 2017 derived from 2017 actual earnings before taxes and adjusted by Hong Kong corporate tax rate of 16.5% due to the tax loss carryforward in 2017) to determine the market capitalization of 100% equity interest of the HK Subsidiary.

After deriving the market capitalization of the HK Subsidiary from P/E multiple (i.e., the Adjusted Valuation Multiple), the result represents 100% equity interest of the HK Subsidiary on a minority and marketable basis. Hence, it was further adjusted for the control premium and the discount for lack of marketability to derive the fair value of the equity interest of the HK Subsidiary as of the Date of Valuation on a majority and non-marketable basis.

8.2.3 Discount for Lack of Marketability

According to a study of discounts for lack of marketability published by FMV Opinions, Inc., an independent firm offering financial advisory services, 16.11% was the median discount for lack of marketability determined with reference to a pool of 727 sample transactions. We are of the opinion that it is fair and reasonable to adopt the study as it involved an extensive collection and analysis of historical data. We have considered the average, median and range of the sample pool in the study. Given the wide range of the sample pool and large sample size of the study, we have considered the resulting median discount for lack of marketability is most appropriate measure to represent the overall market as median is less skewed by extremely large or small values. The study states that a company's industry should not in itself have a significant impact on the discount for lack of marketability and since there is no evidence that the discount for lack of marketability of the HK Subsidiary varies from the overall market, therefore, the median discount for lack of marketability of 16.11% as stated in the study was adopted in the valuation without specific adjustment.

8.2.4 Control Premium

According to the Control Premium Study published by FactSet Mergerstat, LLC, a global mergers and acquisitions information provider founded in 1963, 25.70% was the median control premium determined with reference to a pool of 84 sample transactions. Since FactSet Mergerstat, LLC engages in publishing various publications which were widely adopted in business valuation, we are of the view that the study was credible and reliable. We have considered the average, median and range of the sample pool in the study. Given the wide range of the sample pool and large sample size of the study, we have considered the resulting median discount for lack of marketability is most appropriate measure to represent the overall market as median is less skewed by extremely large or small values. Since a company's industry should not in itself have a significant impact on the control premium and there is no evidence that the control premium of the HK Subsidiary varies from the overall market, therefore, control premium of 25% as stated in the study was adopted in the valuation without specific adjustment.

9. SENSITIVITY ANALYSIS

By its very nature, valuation work cannot be regarded as an exact science and the conclusion arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation. Thus, the following sensitivity analysis has been applied to determine the impact of change in P/E multiple on the fair value of 100% equity interest of the HK Subsidiary.

Sensitivity Analysis for the Valuation as of 30 September 2018

Change in Adjusted Valuation Multiple	**P/E Multiple**	**Fair Value of 100% Equity Interest of the HK Subsidiary**	**Change in Fair Value of 100% Equity Interest of the HK Subsidiary**
(x)	*(x)*	*(HKD in Thousand)*	*(%)*
+10%	16.40	88,000	10.00%
+5%	15.65	84,000	5.00%
Base case	14.91	80,000	0.00%
–5%	14.16	76,000	-5.00%
–10%	13.42	72,000	-10.00%

10. LIMITING CONDITIONS

The valuation reflects facts and conditions existing as of the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We have not verified the accuracy of the information provided and have assumed that the aforesaid information is accurate. We have not conducted any further investigations concerning whether all data have been provided to us for our assessment and we have no reason to believe that any material data have been withheld from us.

We would particularly point out that our valuation was based on the information such as the projections made by the HK Subsidiary, company background, business nature of the HK Subsidiary provided to us.

Our conclusion of the value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation.

This report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated in Section 1 – Purpose of Valuation, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

The title of this report shall not pass to the Company until all professional fees have been paid in full.

11. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the HK Subsidiary, or the value reported herein.

12. OPINION OF VALUE

Based on the investigation and analysis stated above, our scope of work, the valuation method employed, information reviewed and the assumptions adopted, the fair value of 100% equity interest of the HK Subsidiary as of 30 September 2018 (i.e., the Date of Valuation), in our opinion, was reasonably stated as **HKD80,000,000 (HONG KONG DOLLARS EIGHTY MILLION ONLY)**.

Yours faithfully,
For and on behalf of
ARM Appraisals Limited
Dr. Alan Lee
AAPL CPV (Business)
Associate Director

Note:

Dr. Lee is a Certified Practising Valuer (Business) of Australian Property Institute and has over nine years of experience in business valuation and consultation.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

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

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
2,127,854,643	Shares	21,278,546.43

Immediately after the Completion (assuming no further issue of new Shares or repurchase of Shares from the Latest Practicable Date to Completion other than the issue of the Consideration Shares), the authorised and issued share capital of the Company will be as follows:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
2,127,854,643	Shares	21,278,546.43
425,568,000	Consideration Shares to be allotted and issued upon Completion	4,255,680.00
2,553,422,643	Shares	25,534,226.43

All Shares currently in issue and the Consideration Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's 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

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding *(%)*
Mr. Yu Ka Ho	Beneficial owner	256	–*

* *Represents amount less than 0.01%*

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had, or was 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 were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to Rule 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

So far as the Directors are aware, as at the Latest Practicable Date, other than the Directors and chief executives of the Company whose interests and short positions are disclosed under the paragraph headed "Directors' and chief executive's interests in the Company" above, the following parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who was 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.

Long positions in Shares

Name of Substantial Shareholders	**Capacity**	**Number of Shares held**	**Approximate percentage of shareholding** *(%)*
Wong Ryan Tai Cheong ("**Mr. Wong**") *(Note)*	Interest in controlled corporations	254,863,200	11.98
KMW Investments Limited *(Note)*	Beneficial owner	254,863,200	11.98
Lee Cheuk Yue	Beneficial owner	120,849,184	5.68
Wong Man Ho Matthew	Beneficial owner	185,781,184	8.73

Note:

KMW Investments Limited is wholly and beneficially owned by Mr. Wong. By virtue of the SFO, Mr. Wong is deemed to be interested in the 254,863,200 Shares held by KMW Investments Limited.

Save as disclosed above and 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 or who was 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.

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claim 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 Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to entered into any service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates had any interests in businesses which compete or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

7. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

(a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2017 (being the date to which the latest published audited accounts of the Group were made up); and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

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

The Group

(a) the placing agreement dated 20 December 2016 entered into between the Company (as issuer) and SBI China Capital Financial Services Limited (as placing agent) in relation to the placing of 159,744,000 new shares of the Company at the placing price of HK$0.144 per placing share with placing commission of 0.25% of the gross proceeds from the placing;

(b) the underwriting agreement dated 28 February 2017 (as supplemented by the supplemental agreement dated 23 March 2017) entered into among the Company (as issuer) and KMW Investments Limited and SBI China Capital Financial Services Limited (as underwriters) in relation to the underwriting arrangement in respect of the rights issue on the basis of one (1) rights share for every one (1) existing share at a subscription price of HK$0.14 per rights share with (i) underwriting commission to SBI China Capital Financial Services Limited at 0.25% of total subscription price of the maximum number of the underwritten shares of the rights issue taken by it; and (ii) no commission to KMW Investments Limited;

(c) the provisional agreement dated 4 May 2017 entered into among Asset Wheel Limited (”**Asset Wheel**”) (as vendor), and Eternity Rise Property Limited and Eternity Rise Investment Limited (as purchasers), the indirect wholly-owned subsidiaries of the Company, in relation to the acquisition of the properties at the total consideration of HK$25,000,000. Each of Asset Wheel and its ultimate beneficial owner were independent third parties to the Enlarged Group and its connected persons;

(d) the joint venture agreement dated 24 November 2017 entered into between Elegant Empire Investment Limited (“**Elegant Empire**”) and Avis Glory Limited, a direct wholly-owned subsidiary of the Company, in relation to the formation of a joint venture company. Elegant Empire is a direct wholly-owned subsidiary of China Child Care Corporation Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1259), which was an independent third party to the Enlarged Group and its connected persons; and

(e) the Agreement.

9. EXPERTS AND CONSENTS

The following are the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	**Qualification**
Elite Partners CPA Limited	Certified Public Accountants
ARM Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any interest, either direct or indirect, in any assets which have been, since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group nor had any shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Room A, 6/F., CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including the date of EGM (both days inclusive):

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

(b) the annual reports of the Company for the years ended 31 December 2016 and 2017 respectively;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the third quarterly report of the Company for the nine months ended 30 September 2018;

(e) the accountants' reports on the Target Company and the HK Subsidiary, the text of which are set out in Appendix IIA and IIB to this circular respectively;

(f) the report on the unaudited pro forma financial information of the Enlarged Group issued by Elite Partners CPA Limited set out in Appendix III to this circular;

(g) the valuation report on the HK Subsidiary, the text of which is set out in Appendix V to this circular;

(h) the consent letter referred to in the paragraph under the heading "Experts and Consents" in this appendix to this circular;

(i) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this appendix to this circular; and

(j) this circular.

11. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room A, 6/F., CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

(b) The compliance officer of the Company is Mr. Yu Ka Ho. He obtained a bachelor's degree in financial engineering from the City University of Hong Kong in 2004 and a master's degree in mathematics for finance and actuarial science from the joint degree programme of the City University of Hong Kong and Université Paris-Dauphine in 2007.

(c) The company secretary of the Company is Mr. Chung Man Wai, Stephen. He holds a Bachelor' degree of Science in Applied Accountancy from Oxford Brookes University in United Kingdom. He is a member of Hong Kong Institute of Certified Public Accountants and has extensive experience in the professional field of accounting and audit.

(d) The audit committee of the Company ("**Audit Committee**") comprises of three independent non-executive Directors, namely, Mr. Tam Lok Hang (Chairman), Mr. Kwan Wai Yin, William and Mr. Chu Sin Bun Jacky. 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. The biography of the members of Audit Committee are set out below:

i. Mr. Tam Lok Hang ("**Mr. Tam**"), aged 36, was appointed an independent non-executive Director on 7 January 2016. Mr. Tam obtained his bachelor's degree in Business from Queensland University of Technology in 2006. He has more than 7 years' solid experience in auditing, finance and accounting gained from his previous employment in local and international CPA firms, listed and unlisted companies in Hong Kong. He is now an entrepreneur.

ii. Mr. Kwan Wai Yin, William ("**Mr. Kwan**"), aged 43, was appointed an independent non-executive Director on 2 September 2013. 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.

iii. Mr. Chu Sin Bun Jacky ("**Mr. Chu**"), aged 39, was appointed an independent non-executive Director on 1 February 2018. Mr. Chu graduated from the City University of Hong Kong with a degree of bachelor of business administration. He has more than 10 years' solid experience in customer services, logistic management, as well as sales and marketing fields. He is currently an entrepreneur.

(e) the Hong Kong share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(f) the English text of this circular, the notice of the EGM and the accompanying form of proxy shall prevail over the Chinese text in case of inconsistency.

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 IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Food Idea Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Thursday, 3 January 2019 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the Agreement (as defined in the circular dated 13 December 2018 despatched to the shareholders of the Company (the "**Circular**")), a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do such acts and things, such as the issue of the Promissory Note (as defined in the Circular) and the allotment and issue of the Consideration Shares (as defined in the Circular), and to sign, execute and seal (where required) any such documents, instruments or agreements in his sole and absolute discretion and opinion deemed expedient and appropriate to implement and effect the Agreement and the transactions contemplated thereunder."

Yours faithfully
For and on behalf of the Board of
FOOD IDEA HOLDINGS LIMITED
Wong Hoi Yu
Chairman and executive Director

Hong Kong, 13 December 2018

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:
Room A, 6/F
CNT Tower
338 Hennessy Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice 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 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. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy thereof, must be lodged, at the Company's share registrar and transfer office 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 for holding the meeting or any adjournment thereof.

3. Completion and return of a form of proxy will not preclude members of the Company from attending and voting in person at the EGM or any adjournment thereof should they so wish and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.

5. For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed on Wednesday, 2 January 2019 and Thursday, 3 January 2019, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Monday, 31 December 2018.

6. As at the date of this notice, the board of directors of the Company (the "**Directors**") comprises Mr. Wong Hoi Yu and Mr. Yu Ka Ho as executive Directors, and Mr. Chu Sin Bun Jacky, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang as independent non-executive Directors.

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 post an announcement on the website of the Company at www.foodidea.com.hk and on the "Latest Company Announcements" page of the GEM website at www.hkgem.com to notify shareholders of the Company of the date, time and place of the rescheduled meeting.