

新煮意控股有限公司
FOOD IDEA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

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

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

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

HIGHLIGHTS

- The Group's revenue for the nine months ended 30 September 2019 increased by approximately 23% to approximately HK\$161,231,000 (2018: HK\$131,031,000).
- Loss attributable to the owners of the Company for the nine months ended 30 September 2019 was approximately HK\$12,350,000 (2018: HK\$77,278,000).
- Basic loss per share for the nine months ended 30 September 2019 was approximately HK4.22 cents (2018: HK36.25 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2019 (the “Third Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three months and nine months ended 30 September 2019

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|-------|--|---------------------------------|---|---------------------------------|
| | | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Revenue | 3 | 62,872 | 50,729 | 161,231 | 131,031 |
| Other income | | 386 | 284 | 930 | 791 |
| Cost of inventories consumed | | (14,100) | (14,001) | (39,606) | (39,608) |
| Cost of sales | | (24,862) | (15,097) | (54,291) | (28,723) |
| Employee benefits expenses | | (10,308) | (11,729) | (33,118) | (33,600) |
| Depreciation | | (247) | (895) | (1,109) | (3,611) |
| Amortisation | | – | (47) | – | (139) |
| Other losses, net | 4 | (3,739) | (4,633) | (2,278) | (11,439) |
| Operating lease rentals and related expenses | | (1,008) | (756) | (3,109) | (2,497) |
| Utilities expenses | | (228) | (216) | (683) | (665) |
| Gain/(loss) on disposal of financial assets at fair value through profit or loss, net | | 445 | (53,168) | 445 | (49,864) |
| (Loss)/gain on fair value change of financial assets at fair value through profit or loss, net | | (868) | 49,679 | 3,445 | 2,100 |
| Share option expenses | | – | – | (2,979) | (830) |
| Other operating expenses | | (10,220) | (9,529) | (29,763) | (35,901) |
| Share of loss of associates | | (341) | (1,135) | (2,838) | (3,455) |
| Share of loss of joint ventures | | – | – | – | (89) |
| Finance costs | 5 | (2,954) | (385) | (6,812) | (597) |
| Loss before tax | 6 | (5,172) | (10,899) | (10,535) | (77,096) |
| Income tax expenses | 7 | (15) | (84) | (2,035) | (335) |
| Loss for the period | | (5,187) | (10,983) | (12,570) | (77,431) |

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

For the three months and nine months ended 30 September 2019

| | Note | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|------|--|---------------------------------|---|---------------------------------|
| | | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Other comprehensive (expenses) income for the period: | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences on translation of foreign operations | | (2) | (7) | 95 | (7) |
| Share of foreign currency translation reserve of an associate | | (1,030) | (2,051) | (988) | (2,407) |
| | | <u>(1,032)</u> | <u>(2,058)</u> | <u>(893)</u> | <u>(2,414)</u> |
| Total comprehensive expenses for the period | | <u>(6,219)</u> | <u>(13,041)</u> | <u>(13,463)</u> | <u>(79,845)</u> |
| (Loss) profit for the period attributable to: | | | | | |
| Owners of the Company | | (5,532) | (11,042) | (12,350) | (77,278) |
| Non-controlling interests | | 345 | 59 | (220) | (153) |
| | | <u>(5,187)</u> | <u>(10,983)</u> | <u>(12,570)</u> | <u>(77,431)</u> |
| Total comprehensive (expenses) income for the period attributable to: | | | | | |
| Owners of the Company | | (6,564) | (13,100) | (13,243) | (79,692) |
| Non-controlling interests | | 345 | 59 | (220) | (153) |
| | | <u>(6,219)</u> | <u>(13,041)</u> | <u>(13,463)</u> | <u>(79,845)</u> |
| | | | Restated | | Restated |
| Loss per share | | | | | |
| Basic (HK cents per share) | 8 | <u>(1.63)</u> | <u>(5.17)</u> | <u>(4.22)</u> | <u>(36.25)</u> |
| Diluted (HK cents per share) | 8 | <u>(1.63)</u> | <u>(5.17)</u> | <u>(4.22)</u> | <u>(36.25)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2019

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|---------------------------|----------------------------------|---|--|--|------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Share option reserve HK\$'000 | Capital reserve HK\$'000 (Note i) | Other reserve HK\$'000 (Note ii) | Foreign currency translation reserve HK\$'000 | Accumulated loss HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Balance at 1 January 2019 | 21,279 | 618,040 | 1,276 | 106 | (182) | (8,614) | (282,910) | 348,995 | (1,608) | 347,387 |
| Loss for the period | - | - | - | - | - | - | (12,350) | (12,350) | (220) | (12,570) |
| Other comprehensive expenses for the period | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 95 | - | 95 | - | 95 |
| Share of foreign currency translation reserve of an associate | - | - | - | - | - | (988) | - | (988) | - | (988) |
| Total comprehensive expenses for the period | - | - | - | - | - | (893) | (12,350) | (13,243) | (220) | (13,463) |
| Recognition of equity settled share based payment | - | - | 2,979 | - | - | - | - | 2,979 | - | 2,979 |
| Issue of shares upon exercise of share options | 2,128 | 12,546 | (4,255) | - | - | - | - | 10,419 | - | 10,419 |
| Issue of consideration shares | 4,255 | 14,044 | - | - | - | - | - | 18,299 | - | 18,299 |
| Issue of shares under rights issue | 13,831 | 20,470 | - | - | - | - | - | 34,301 | - | 34,301 |
| Expenses attribute to the rights issue | - | (976) | - | - | - | - | - | (976) | - | (976) |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | 132 | 132 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | 25 | 25 |
| Balance at 30 September 2019 | 41,493 | 664,124 | - | 106 | (182) | (9,507) | (295,260) | 400,774 | (1,671) | (399,103) |
| Balance at 1 January 2018 | 21,071 | 613,622 | - | 106 | (182) | (6,989) | (185,543) | 442,085 | 1,441 | 443,526 |
| Loss for the period | - | - | - | - | - | - | (77,278) | (77,278) | (153) | (77,431) |
| Other comprehensive expenses for the period | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (7) | - | (7) | - | (7) |
| Share of foreign currency translation reserve of an associate | - | - | - | - | - | (2,407) | - | (2,407) | - | (2,407) |
| Total comprehensive expenses for the period | - | - | - | - | - | (2,414) | (77,278) | (79,692) | (153) | (79,845) |
| Recognition of equity settled share based payment | - | - | 830 | - | - | - | - | 830 | - | 830 |
| Issue of shares upon exercise of share options | 208 | 4,418 | (830) | - | - | - | - | 3,796 | - | 3,796 |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | (81) | (81) |
| Balance at 30 September 2018 | 21,279 | 618,040 | - | 106 | (182) | (9,403) | (262,821) | 367,019 | 1,207 | 368,226 |

Notes:

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

NOTES TO THE THIRD QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

Notes:

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

3. SEGMENT INFORMATION

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

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

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

Segment turnover, revenue and results

Segment revenue represents revenue derived from the provision of catering services, sales of food products, gross proceeds from the disposal of financial assets at fair value through profit or loss (“FVTPL”) (for segment turnover only), dividend income and interest income from both the financial assets at FVTPL and the provision of money lending business and trading of wine.

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

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

For the nine months ended 30 September 2019 (the "2019 Period")

| | Catering services <i>HK\$'000</i> (Unaudited) | Food products operation <i>HK\$'000</i> (Unaudited) | Investments <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Wine trading <i>HK\$'000</i> (Unaudited) | Unallocated <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|--------------------------------|--|---|---|--|--|---|--|
| SEGMENT TURNOVER | <u>-</u> | <u>91,795</u> | <u>1,000</u> | <u>1,453</u> | <u>67,983</u> | <u>-</u> | <u>162,231</u> |
| SEGMENT REVENUE | | | | | | | |
| External sales | <u>-</u> | <u>91,795</u> | <u>-</u> | <u>1,453</u> | <u>67,983</u> | <u>-</u> | <u>161,231</u> |
| RESULTS | | | | | | | |
| Segment results | (36) | 69 | 3,890 | 1,032 | 7,031 | - | 11,986 |
| Unallocated income | - | - | - | - | - | 2,460 | 2,460 |
| Unallocated corporate expenses | - | - | - | - | - | - | (12,352) |
| Share option expenses | - | - | - | - | - | - | (2,979) |
| Share of loss of associates | (2,838) | - | - | - | - | - | (2,838) |
| Finance costs | - | - | - | - | - | - | (6,812) |
| Loss before tax | | | | | | | <u>(10,535)</u> |

For the nine months ended 30 September 2018 (the "2018 Period")

| | Catering services <i>HK\$'000</i> (Unaudited) | Food products operation <i>HK\$'000</i> (Unaudited) | Investments <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Wine trading <i>HK\$'000</i> (Unaudited) | Elimination <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|---------------------------------|--|---|---|--|---|---|--|
| SEGMENT TURNOVER | <u>-</u> | <u>93,079</u> | <u>55,331</u> | <u>6,040</u> | <u>31,883</u> | <u>-</u> | <u>186,333</u> |
| SEGMENT REVENUE | | | | | | | |
| External sales | <u>-</u> | <u>93,079</u> | <u>29</u> | <u>6,040</u> | <u>31,883</u> | <u>-</u> | <u>131,031</u> |
| RESULTS | | | | | | | |
| Segment results | (190) | 213 | (47,735) | 9,412 | 2,372 | - | (35,928) |
| Unallocated income | - | - | - | - | - | 1,956 | 1,956 |
| Unallocated corporate expenses | - | - | - | - | - | (38,153) | (38,153) |
| Share option expenses | - | - | - | - | - | (830) | (830) |
| Share of loss of associates | (3,455) | - | - | - | - | - | (3,455) |
| Share of loss of joint ventures | - | - | - | - | - | (89) | (89) |
| Finance costs | - | - | - | - | - | (597) | (597) |
| Loss before tax | | | | | | | <u>(77,096)</u> |

Geographical information

The Group's operations are located in Hong Kong (country of domicile), the People's Republic of China ("PRC") and Singapore.

Information about the Group's revenue from external customers is presented based on the location of the operations.

The operation in Singapore has not yet commenced and all revenue from external customers of the Group are derived in Hong Kong for the 2019 Period and 2018 Period.

Information about major customers

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

4. OTHER LOSSES, NET

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|--|---|--|
| | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) |
| Reversal of provision for impairment on loan and interest receivables | – | – | – | 4,000 |
| Gain on disposal of subsidiaries | – | 627 | 1,465 | 1,109 |
| Written off of property, plant and equipment | – | (6,013) | (4) | (6,185) |
| Reversal (provision) for impairment on the amounts due from a joint venture | – | 753 | – | (10,419) |
| Others | (3,739) | – | (3,739) | 56 |
| | <u>(3,739)</u> | <u>(4,633)</u> | <u>(2,278)</u> | <u>(11,439)</u> |

5. FINANCE COSTS

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|-------------------------|--|--|---|--|
| | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) |
| Interests on borrowings | 148 | 114 | 696 | 326 |
| Promissory note | 2,806 | 271 | 6,116 | 271 |
| | <u>2,954</u> | <u>385</u> | <u>6,812</u> | <u>597</u> |

6. LOSS BEFORE TAX

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|--|---|--|
| | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) |
| Loss before tax has been arrived at after charging the following: | | | | |
| Operating lease rentals in respect of rented premises | 981 | 688 | 2,973 | 2,287 |

7. INCOME TAX EXPENSES

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---------------------|--|--|---|--|
| | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) | 2018 <i>HK\$'000</i> (Unaudited) |
| Current income tax | 15 | 84 | 2,035 | 335 |
| Deferred income tax | — | — | — | — |
| | <u>15</u> | <u>84</u> | <u>2,035</u> | <u>335</u> |

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

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

8. LOSS PER SHARE

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

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|--|--------------------|---|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Loss | | | | |
| Loss for the purpose of basic and diluted loss per share, being loss for the period attributable to the owners of the Company | <u>(5,532)</u> | <u>(11,042)</u> | <u>(12,350)</u> | <u>(77,278)</u> |
| | | Restated | | Restated |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>338,875,000</u> | <u>213,640,000</u> | <u>292,608,000</u> | <u>213,198,000</u> |

Diluted loss per share for the three months ended 30 September 2019 and 30 September 2018, 2019 Period and 2018 Period were the same as the basic loss per share as there was no dilutive potential ordinary shares outstanding.

The weighted average number of ordinary shares for the basic and diluted loss per share for the 2018 Period was restated by the bonus element in the rights issue completed on 21 August 2019 and share consolidation completed on 2 September 2019.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the 2019 Period and 2018 Period.

10. EVENT AFTER THE END OF THE REPORTING PERIOD

On 4 October 2019, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a vineyard with provision of winery business and short stay accommodation services at the consideration of HK\$60,000,000. Details of the acquisition were set out in the Company's announcement dated 4 October 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's third quarterly results for the 2019 Period.

Business Review

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

Food Products Operation

For the 2019 Period, the food products operation recorded a decrease in revenue of around 1.4% to approximately HK\$91.80 million when compared with approximately HK\$93.08 million for the 2018 Period.

As the revenue of the food products operation recorded a decrease of approximately 1.4% for the 2019 Period, the segment profit dropped from approximately HK\$213,000 for the 2018 Period to approximately HK\$69,000 for the 2019 Period.

Securities Investment Business

As at 30 September 2019, the Group had a portfolio of securities investment classified as financial assets at FVTPL of approximately HK\$13.55 million (31 December 2018: HK\$8.34 million) and all of them were equity securities / fund listed in Hong Kong. For the 2019 Period, the Group recorded a unrealised gain of HK\$3.45 million (2018: HK\$2.1 million) and a net realised gain of approximately HK\$0.45 million (2018: loss HK\$49.86 million) in its entire securities investment.

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

The Group will continue to monitor the existing portfolio closely and look for other potential investment opportunities.

Money Lending Business

The Group's money lending business maintained a stable performance. During the 2019 Period, it generated interest income of approximately HK\$1.45 million (2018: HK\$6.04 million). During the 2018 Period, the Group recorded a decrease in segment profit to approximately HK\$1.03 million (2018: HK\$9.41 million).

As at 30 September 2019, an aggregate loan of approximately HK\$584.57 million (31 December 2018: HK\$560.75 million) with effective interest rate ranging from 3% to 36% per annum (31 December 2018: 3% to 36% per annum) had been built up by the Group. As at 30 September 2019, the outstanding loan receivables of the Group amounted to approximately HK\$44.09 million (31 December 2018: HK\$54.06 million).

Wine Trading

Wine industry in Hong Kong has been developed for years. With the help of the removal of all wine duties by the 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. According to the Hong Kong Trade Development Council Research Report on 17 September 2019, which provided statistical data for the previous year of 2018, and data from statista, wine sales in Hong Kong amounted to United States Dollars 646 million or 33.7 million liters in 2018, up 6.1% and 2.4%, respectively, per annum in the past five years. For 2019 to 2023, it is forecasted to grow 4.4% per annum in value terms and 1.6% per annum in volume terms.

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

The Group's wine are mainly from various reputable vineyards and wineries from Australia, with a focus on the red wine as the major product. During the 2019 Period, the wine trading operation has achieved positive results and recorded revenue of approximately HK\$67.98 million (2018: HK\$31.88 million) with a segment profit of approximately HK\$7.03 million (2018: HK\$2.37 million).

Others

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

As at 30 September 2019, the Lucky Dessert Group had five (31 December 2018: six) dessert catering restaurants which were operated by local business partners in Tianjin, Shanghai, Haikou and Shenzhen.

Financial Review

During the 2019 Period, the Group's revenue amounted to approximately HK\$161.23 million which was approximately 23.0% higher than that of the last corresponding period. The increment was mainly due to the rise in revenue from wine trading.

Loss attributable to the owners of the Company was approximately HK\$12.35 million for the 2019 Period, an improvement of approximately 84.0% as compared to the 2018 Period. The decrease in the loss was mainly due to (i) the improvement in the investment segment from loss of approximately HK\$47.74 million for the 2018 Period to gain of approximately HK\$3.89 million for the 2019 Period; (ii) the decrease in other loss, net from approximately HK\$11.44 million for the 2018 Period to approximately HK\$2.28 million for the 2019 Period; (iii) the development of wine trading business which contributed segment result approximately HK\$7.03 million for the 2019 Period compared with approximately HK\$2.37 million for the 2018 Period; and (iv) the decrease in the other operating expenses of approximately HK\$29.76 million for the 2019 Period compared with approximately HK\$35.90 million for the 2018 Period. However, part of the above effects was counteracted by the negative impact from the increase in finance cost from approximately HK\$0.60 million for the 2018 to approximately HK\$6.81 million for the 2019 Period.

The cost of inventories consumed and cost of sales for the 2019 Period amounted to approximately HK\$39.61 million and HK\$54.29 million respectively (2018: HK\$39.61 million and HK\$28.72 million). The cost of inventories consumed and cost of sales were approximately 43% and 80% respectively (2018: 43% and 90%) of the Group's revenue on food products operation and wine trading operation during the 2019 Period. The Group expects to improve the product mix in wine trading in the future.

Employee benefits expenses for the 2019 Period amounted to approximately HK\$33.1 million (2018: HK\$33.60 million). The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

Outlook and Prospects

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

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

On 4 October 2019, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a vineyard with provision of winery business and short stay accommodation services at the consideration of HK\$60,000,000. Details of the acquisition were set out in the Company's announcement dated 4 October 2019.

For the food products operation, the Group continues to search for suitable sites with high traffic flow for expansion and will continue to review the performance of its concessionaire stores and close the underperforming locations. The Group is also proactively monitoring the rising food costs, labour costs and commission expenses to supermarket chains in order to raise the operational efficiencies of the food products operation.

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

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

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

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

Liquidity, Financial and Capital Resources

Capital structure

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

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

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

Cash position

As at 30 September 2019, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$12.09 million (31 December 2018: approximately HK\$7.22 million).

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

- a. On 22 January 2019, a total of 425,568,000 consideration shares have been issued at the price of HK\$0.131 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 100% of issued share capital of Palinda Holding Group Limited and its subsidiary (collectively "Palinda Group").
- b. On 14 January 2019, the holders of share options exercised their rights to subscribe for 42,557,092 shares at HK\$0.042 per share. As a result, the Company received a net proceed of approximately HK\$1.79 million.
- c. On 17 January 2019, the holders of share options exercised their rights to subscribe for 106,392,730 shares at HK\$0.042 per share. As a result, the Company received a net proceed of approximately HK\$4.47 million.
- d. On 15 February 2019, the holders of share options exercised their rights to subscribe for 42,557,092 shares at HK\$0.0652 per share. As a result, the Company received a net proceed of approximately HK\$2.77 million.

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

Fund raising activity of the Group during the past twelve months

The following is the fund raising activity of the Group during the past twelve months immediate preceding 30 September 2019:

| Date of announcement | Fund raising activity | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds up to 30 September 2019 |
|-----------------------------|---|--|--|--|
| 11 June 2019 | Right issue of 1,383,104,051 shares at HK\$0.0248 per right share | HK\$33.2 million | Approximately HK\$30.12 million for redemption of promissory notes of the Group; and The balance of approximately HK\$3.08 million used for general working capital of the Group. | Approximately HK\$30.12 million for redemption of promissory notes of the Group; and The balance of approximately HK\$3.08 million used for general working capital of the Group. |

Borrowings

As at 30 September 2019, the carrying amount of the Group's borrowings (including the promissory notes of approximately HK\$135.69 million) was approximately HK\$151.48 million (31 December 2018: approximately HK\$67.69 million).

Pledge of Assets

As at 30 September 2019, the Group's investment properties and certain property, plant and equipments, with an aggregate net carrying value of approximately HK\$25.66 million were pledged to secure the Group's borrowings.

Gearing ratio

Gearing ratio is calculated as net debt (borrowings and promissory notes less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interests). As at 30 September 2019, the gearing ratio was approximately 26% (31 December 2018: 21%).

Contingent Liabilities

Save as disclosed elsewhere in the Third Quarterly Financial Statements, there were no other significant contingent liabilities of the Group as at 30 September 2019.

Dividend

Details of the dividend are set out in the Note 9 to the Third Quarterly Financial Statements.

Employees Numbers and Remuneration Policy

As at 30 September 2019, the Group had over 260 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

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

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

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

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

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

During the 2019 Period, the Group disposed of certain subsidiaries with net assets values of approximately HK\$400,000 and HK\$7,000 respectively, to an independent third party. Gain on disposal of subsidiaries of approximately HK\$41,000 and HK\$354,000 were recorded respectively by the Group.

Saved as the above, the disposal of financial assets at FVTPL and others disclosed elsewhere in this announcement, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the 2019 Period.

Saved as the proposed acquisition of a vineyard with provision of winery business and short stay accommodation services and as disclosed elsewhere in this announcement, there were no plans for material investments or capital assets as at 30 September 2019.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

As at 30 September 2019, there were no outstanding share options under the Share Option Scheme.

Details of the share options granted during the 2019 Period are as follows:

| Date of grant | Vesting period | Exercise period | Exercise price | Closing price of the share immediately before the date of grant |
|----------------------|-----------------------|-------------------------------|-----------------------|--|
| 23 February 2018 | N/A | 1 year from the date of grant | HK\$0.183 | HK\$0.182 |
| 16 November 2018 | N/A | 1 year from the date of grant | HK\$0.1496 | HK\$0.147 |
| 17 December 2018 | N/A | 1 year from the date of grant | HK\$0.0652 | HK\$0.0620 |
| 11 January 2019 | N/A | 1 year from the date of grant | HK\$0.0420 | HK\$0.0380 |

The following table discloses movements of the Company's share options held by the Directors, employees and other individuals for the 2019 Period:

| | Date of grant | Exercise price per option HK\$ | Exercise period | Number of share options | | | | |
|--------------------------------------|------------------|-----------------------------------|-------------------------------|------------------------------|---------------------------|-----------------------------|--|---------------------------------|
| | | | | Balance as at 1 January 2019 | Granted during the period | Exercised during the period | Expired/lapsed/cancelled during the period | Balance as at 30 September 2019 |
| Employees in aggregate | 11 January 2019 | 0.0420 | 1 year from the date of grant | – | 42,557,092 | (42,557,092) | – | – |
| Individual in aggregate | 23 February 2018 | 0.183 | 1 year from the date of grant | – | – | – | – | – |
| | 16 November 2018 | 0.1496 | 1 year from the date of grant | – | – | – | – | – |
| | 17 December 2018 | 0.0652 | 1 year from the date of grant | 63,835,638 | – | (63,835,638) | – | – |
| | 11 January 2019 | 0.0420 | 1 year from the date of grant | – | 106,392,730 | (106,392,730) | – | – |
| | | | | <u>63,835,638</u> | <u>148,949,822</u> | <u>(212,785,460)</u> | <u>–</u> | <u>–</u> |
| Exercisable at the end of the period | | | | | | | | <u>–</u> |
| | | | | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Weighted average exercise price | | | | <u>0.0652</u> | <u>0.0420</u> | <u>0.0490</u> | <u>–</u> | <u>–</u> |

In respect of the share options exercised during the 2019 Period, the weighted average share price at the date of exercise was HK\$0.049 and the weighted average share price at the date immediately before the exercise was HK\$0.049.

During the 2019 Period, 148,949,822 options were granted on 11 January 2019. The estimated fair value of the options granted on the date was approximately HK\$2,979,000.

The fair value was calculated by using the Binomial model. The inputs into the model were as follows:

| | 2019 |
|--|------------------|
| Closing share price at the date of grant | HK\$0.042 |
| Exercise price | HK\$0.042 |
| Expected volatility | 100% |
| Expected life | 1 year |
| Risk-free rate | 1.57% |
| Expected dividend yield | <u>0%</u> |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK\$2,979,000 for the 2019 Period in relation to share options granted by the Company.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the 2019 Period is set out below:

- (i) Ms. Huang Wei has been appointed as executive director of the Company with effect from 12 August 2019 and has been appointed as the chairlady of the Board with effect from 30 September 2019 in replace Mr. Wong Hoi Yu who has resigned as an executive director and chairman of the Company with effect from 30 September 2019. She has also been appointed as the compliance officer and authorized representative of the Company with effect from 24 October 2019 in replace Mr. Yu Ka Ho who has resigned as an executive director, chief executive officer, compliance officer and authorized representative of the Company with effect from 24 October 2019.
- (ii) Mr. Dou Sheng has been appointed as executive director of the Company with effect from 24 October 2019.

Save as disclosed above and elsewhere in this announcement, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the 2019 Period.

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

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

| Name of Director | Capacity / nature of interest | Total number of ordinary shares | Approximate percentage of interest |
|-------------------------|--------------------------------------|--|---|
| Ms. Huang Wei | Beneficial owner | 63,835,200 | 15.38% |

Saved as disclosed above, as at 30 September 2019, 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 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 the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 30 September 2019, other than the Directors and chief executives of the Company whose interests and short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following parties who had, or deemed to 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 are listed as follows:

Long positions in shares and underlying shares of the Company

| Name | Capacity / nature of interest | Total number of ordinary shares | Approximate percentage of interest |
|--|------------------------------------|---------------------------------|------------------------------------|
| Wong Ryan Tai Cheong ("Wong TC") (Note) | Interest in controlled corporation | 25,486,320 | 6.14% |
| KMW Investments Limited ("KMW") (Note) | Beneficial owner | 25,486,320 | 6.14% |
| Li Sin Ying | Beneficial owner | 22,557,600 | 5.44% |

Note:

Wong TC held 25,486,320 shares of the Company ("Shares") through KMW. The entire share capital of KMW was held by Wong TC. By virtue of SFO, Wong TC is deemed to be interested in all the Shares owned by KMW.

Saved as disclosed above, as at 30 September 2019, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the 2019 Period.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates were interested in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group or had any other conflicts with the Group during the 2019 Period or as at 30 September 2019.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any noncompliance during the 2019 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules during the 2019 Period.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015 and 20 December 2018, the Board adopted a set of revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. The primary duties of the Audit Committee, among other things, are to 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, reappointment and removal of external auditors.

As at 30 September 2019, the Audit Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.* Mr. Li Lap Keung is the chairman of the Audit Committee.

The Audit Committee had reviewed the Third Quarterly Financial Statements for the 2019 Period and is of the opinion that the preparation of such statements comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
Food Idea Holdings Limited
Huang Wei
Chairlady and executive Director

Hong Kong, 13 November 2019

As at the date of this announcement, the Board of the Company comprises Ms. Huang Wei and Mr. Dou Sheng as executive Directors, and Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, B.B.S., as independent non-executive Directors.

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