

First Quarterly Report  
2020

新煮意控股有限公司  
Food Idea Holdings Limited

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



## **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.**

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

# CORPORATE INFORMATION

## Board of Directors

### *Executive Directors*

Ms. Huang Wei (*Chairlady*)

Mr. Dou Sheng

### *Independent non-executive Directors*

Mr. Li Lap Keung

Mr. So Yat Chuen

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

## Compliance Officer

Ms. Huang Wei

## Authorised Representatives

Ms. Huang Wei

Mr. Chung Man Wai, Stephen

## Company Secretary

Mr. Chung Man Wai, Stephen

## Audit Committee Members

Mr. Li Lap Keung (*Chairman*)

Mr. So Yat Chuen

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

## Remuneration Committee Members

Mr. So Yat Chuen (*Chairman*)

Mr. Li Lap Keung

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

## Nomination Committee Members

Mr. So Yat Chuen (*Chairman*)

Mr. Li Lap Keung

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

## Auditor

Elite Partners CPA Limited  
Certified Public Accountants

## Principal Bankers

Industrial and Commercial Bank of  
China (Asia) Limited  
Shanghai Commercial Bank Limited

## Registered Office

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

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

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

## Hong Kong Share Registrars and Transfer Office

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

## Company Website

[www.foodidea.com.hk](http://www.foodidea.com.hk)

## GEM Stock Code

8179

## HIGHLIGHTS

- The Group's revenue for the three months ended 31 March 2020 increased by approximately 26% to approximately HK\$57,385,000 (2019: HK\$45,701,000).
- Loss attributable to the owners of the Company for the three months ended 31 March 2020 amounted to approximately HK\$7,040,000 (2019: HK\$6,083,000).
- Basic loss per share for the three months ended 31 March 2020 was approximately HK1.48 cents (2019 restated: HK2.34 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020 (the “First Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

For the three months ended 31 March 2020

	Notes	For the three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	57,385	45,701
Other income		329	255
Cost of inventories consumed		(11,755)	(10,402)
Cost of sales		(26,137)	(13,618)
Direct cost on vineyard		(78)	–
Employee benefits expenses		(9,811)	(11,773)
Depreciation		(681)	(431)
Operating lease rentals and related expenses		(711)	(968)
Utilities expenses		(210)	(241)
Other losses, net	5	(3,946)	–
Gain (loss) on fair value change of financial assets at fair value through profit or loss, net		–	230
Share option expenses		–	(2,979)
Other operating expenses		(8,732)	(9,797)
Share of loss of associates		–	(1,207)
Finance costs	4	(2,122)	(1,221)
Loss before tax	5	(6,469)	(6,451)
Income tax expenses	6	28	(7)
Loss for the period		(6,441)	(6,458)

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

For the three months ended 31 March 2020

	Note	For the three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other comprehensive (expenses) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(6,796)	98
Share of foreign currency translation reserve of an associate		—	801
		(6,796)	899
Total comprehensive expense for the period		(13,237)	(5,559)
(Loss) profit for the period attributable to Owners of the Company		(7,040)	(6,083)
Non-controlling interests		599	(375)
		(6,441)	(6,458)
Total comprehensive (expenses) income for the period attributable to Owners of the Company		(13,836)	(5,184)
Non-controlling interests		599	(375)
		(13,237)	(5,559)
Loss per share		2020	2019 (Restated)
Basic and diluted ( <i>HK cents</i> )	7	1.48	2.34

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2020

Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Shares options reserve HK\$'000	Capital reserve HK\$'000 Note (i)	Other reserve HK\$'000 Note (ii)	Foreign currency translation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Balance at 1 January 2020</b>	41,493	663,838	-	106	(182)	(8,605)	(336,332)	360,318	(1,362)	358,956
Loss for the period	-	-	-	-	-	-	(7,040)	(7,040)	599	(6,441)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(6,796)	-	(6,796)	-	(6,796)
<b>Total comprehensive income (expenses) for the period</b>	-	-	-	-	-	(6,796)	(7,040)	(13,836)	599	(13,237)
Issue of new shares by placing	5,832	4,425	-	-	-	-	-	9,957	-	9,957
Share issuing expenses	-	(110)	-	-	-	-	-	(110)	-	(110)
Issue of consideration shares	6,300	7,560	-	-	-	-	-	13,860	-	13,860
<b>Balance at 31 March 2020</b>	53,325	676,713	-	106	(182)	(15,401)	(343,372)	370,189	(763)	369,426
<b>Balance at 1 January 2019</b>	21,279	618,040	1,276	106	(182)	(8,614)	(282,910)	348,995	(1,608)	347,387
Loss for the period	-	-	-	-	-	-	(6,083)	(6,083)	(375)	(6,458)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	98	-	98	-	98
Share of foreign currency translation reserve of an associate	-	-	-	-	-	801	-	801	-	801
<b>Total comprehensive income (expenses) for the period</b>	-	-	-	-	-	899	(6,083)	(5,184)	(375)	(5,559)
Recognition of equity-settled share based payments	-	-	2,979	-	-	-	-	2,979	-	2,979
Issue of shares upon exercise of share options	2,128	12,545	(4,255)	-	-	-	-	10,418	-	10,418
Issue of consideration shares	4,255	14,044	-	-	-	-	-	18,299	-	18,299
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	132	132
<b>Balance at 31 March 2019</b>	27,662	644,629	-	106	(182)	(7,715)	(288,993)	375,507	(1,851)	373,656

## Notes:

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

# NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

*For the three months ended 31 March 2020*

*Notes:*

## **1. GENERAL INFORMATION**

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

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

## **2. BASIS OF PREPARATION**

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

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2019 (the "2019 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 2020. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2019 Annual Report.

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

### 3. SEGMENT INFORMATION

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

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

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

#### **Segment turnover, revenue and results**

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

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

### 3. SEGMENT INFORMATION (CONTINUED)

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

#### For the three months ended 31 March

	Catering services		Food products operation		Investments		Money business		Wine business		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000 (Unaudited)													
SEGMENT TURNOVER	-	-	28,191	28,610	-	-	49	211	29,235	16,880	-	-	57,385	45,701
SEGMENT REVENUE	-	-	28,191	28,610	-	-	49	211	29,235	16,880	-	-	57,385	45,701
Segment results	-	(12)	432	(573)	-	230	(40)	(194)	487	1,800	-	-	858	1,251
Unallocated income	-	-	-	-	-	-	-	-	-	-	329	255	329	255
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	(5,532)	(2,550)	(5,532)	(2,550)	
Share option expenses	-	-	-	-	-	-	-	-	-	-	(2,979)	(2,979)	(2,979)	
Share of loss of associates	-	(1,207)	-	-	-	-	-	-	-	-	-	-	(1,207)	
Finance costs	-	-	-	-	-	-	-	-	-	-	(2,122)	(1,221)	(2,122)	(1,221)
Loss before tax													(6,469)	(6,451)

#### Geographical information

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

#### Information about major customers

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

#### 4. FINANCE COSTS

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interests on borrowings	413	270
Interests on promissory note	1,709	951
	<b>2,122</b>	<b>1,221</b>

#### 5. LOSS BEFORE TAX

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging the following:		
Loss on early redemption of promissory note	3,946	–
Depreciation	681	431
Operating lease rental relating to short-term lease and low-value lease upon application of HKFRS 16	711	–
Operating lease rentals in respect of rented premises	–	935

#### 6. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current income tax	–	7
Deferred income tax	(28)	–
	<b>(28)</b>	<b>7</b>

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

## 6. INCOME TAX EXPENSES (CONTINUED)

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

The applicable Australia profit tax rate is 30% for the both periods.

## 7. LOSS PER SHARE

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

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share, being loss for the period attributable to the owners of the Company	(7,040)	(6,083)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	477,154,511	260,355,751

Diluted loss per share for both periods 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 purpose of basic and diluted loss per share for the three months ended 31 March 2019 has been adjusted for the rights issue and the share consolidation on 21 August 2019 and 2 September 2019 respectively.

## 8. DIVIDEND

No dividend were paid or proposed for the three months ended 31 March 2020 nor have any dividend been proposed since the end of the reporting period (2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2020 (the "2020 First Quarter").

### **Business Review**

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

#### ***Food Products Operation***

For the 2020 First Quarter, the food products operation recorded decrease in revenue of around 2% to approximately HK\$28.10 million when compared with approximately HK\$28.61 million for the three months ended 31 March 2019 (the "2019 First Quarter").

Attributable to the fall in the revenue of the food products operation, its segment operating profit decrease from approximately HK\$0.57 million for the 2019 First Quarter to approximately HK\$0.43 million operating loss for the 2020 First Quarter.

#### ***Securities Investment Business***

As at 31 March 2020, the Group had none of securities investment. For the 2020 First Quarter, the Group recorded a net unrealised gain of approximately HK\$Nil (2019: net unrealised gain HK\$0.23 million) in its entire securities investment.

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

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

## ***Money Lending Business***

The Group's money lending business was strinked. During the 2020 First Quarter, it generated interest income of approximately HK\$0.05 million (2019: HK\$0.21 million) and recorded a segment loss of approximately HK\$0.04 million (2019: segment profit HK\$0.19 million).

As at 31 March 2020, the aggregate loan with effective interest rate ranging from 3% to 36% per annum (31 December 2019: 3% to 36% per annum) had been built up by the Group. As at 31 March 2020, the outstanding loan receivables of the Group amounted to approximately HK\$1.8 million (31 December 2019: HK\$2.04 million).

## ***Wine Business***

Wine industry in Hong Kong has been developed for years. With the help of the removal of all wine duties by the Government of the HKSAR in 2008 and the support of a significant pool of experienced wine merchants with good wine knowledge and international trade experience, Hong Kong has further developed into a wine trading and distribution centre for the region. According to the Hong Kong Trade Development Council Research Report on 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 business with an aim to take advantage of the steady growth of the wine industry. The Board believes the development of the wine business represents a good opportunity for the Group to further develop its distribution and catering business and will help diversify the Group's businesses.

On 4 October 2019, the Group entered into a sale and purchase agreement with an independent third party for the acquisition 100% of issued share capital of Win Everest Holdings Limited and its wholly owned subsidiary (collectively referred to as the "Win Everest Group") which engaged in supply of self-cultivated grapes for winery business and has a vineyard located in Margaret River region in Australia. Details of the acquisition were set out in the Company's announcements dated 4 October 2019, 29 November 2019 and 3 January 2020 and the circular of the Company dated 5 December 2019. The acquisition has been completed on 3 January 2020.

The Group's wine are mainly from various reputable vineyard and winery from Australia, with a focus on the red wine as the major product. During the 2020 First Quarter, the wine business operation has achieved positive results and recorded revenue of approximately HK\$29.24 million with a segment profit of approximately HK\$0.47 million. Compare with approximately HK\$16.88 million and approximately HK\$1.8 million respectively for the 2019 First Quarter.

### ***Others***

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

As at 31 March 2020, the Lucky Dessert Group had nine (31 December 2019: nine) dessert catering restaurants which were operated by local business partners in Shanghai, Haikou, Wuxi and Shenzhen.

### **Financial Review**

During the 2020 First Quarter, the Group's revenue amounted to approximately HK\$57.39 million which was approximately 26% higher than that of the last corresponding period. The increase was mainly attributable to the rise in revenue from wine business from approximately HK\$16.88 million for the 2019 First Quarter to approximately HK\$29.24 million for the 2020 First Quarter.

The loss attributable to the owners of the Company was approximately HK\$7.04 million for the 2020 First Quarter, an increase as compared to approximately HK\$6.08 million for the 2019 First Quarter. Such loss was increased mainly attributable to (i) the increase in loss on early redemption of promissory note to approximately HK\$3.95 million (2019 First Quarter: HK\$ Nil); (ii) the increase in finance cost to approximately HK\$2.12 million (2019 First Quarter: approximately HK\$1.22 million). It was counteracted by the decrease in employee benefits expenses to approximately HK\$9.81 million (2019 First Quarter: approximately HK\$11.77 million).

The cost of inventories consumed for the 2020 First Quarter amounted to approximately HK\$11.76 million (2019: HK\$10.40 million). The cost of inventories consumed was approximately 42% (2019: 36%) of the Group's revenue on food products operation business during the 2020 First Quarter. The Group will keep the strategy on bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing. The cost of sales in wine business for the 2020 First Quarter amounted to approximately HK\$26.14 million (2019: HK\$13.62 million). The cost of sales in wine business was approximately 89% (2019: 81%) of the Group's revenue on wine business for the 2020 First Quarter. The Group expects to improve the product mixing in wine business in the future.

Employee benefits expenses for the 2020 First Quarter amounted to approximately HK\$9.81 million (2019: HK\$11.77 million). The decrease was mainly due to the closure of some concessionaire stores as one of the supermarket chains discontinued the concessionaire store agreement during the 2020 First Quarter. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

## **Outlook and Prospects**

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

In view of the positive results in wine business segment for the 2020 First Quarter and the prospect of the wine industry in Hong Kong, the development of the wine 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 business with an aim to take advantage of the steady growth in the wine business 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 business segment. The Group is in the view that it may benefit the development of the existing wine business by expanding the customer base, addition to wine supply channels and acquisition of staff with relevant skill sets and connections in the wine business industry.

For the food products operation, the Group will continue to review the performance of its concessionaire stores and close the underperforming locations.

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

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

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

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

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

Since the beginning of January 2020, the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) has adversely affected to the global business environment especially in Hong Kong and Mainland China. The outlook remains uncertain and the Management will continue to monitor the situation closely. Depending on the duration of the disruption caused by COVID-19 outbreak, the results could be adversely affected by lower revenue and economic slowdown. The management will keep continuous attention on the situation of the COVID-19 outbreak and react actively to its impact on the financial position and operating results of the Group.

## **Liquidity, Financial and Capital Resources**

### ***Capital Structure***

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

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

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

### ***Cash Position***

As at 31 March 2020, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$15,167,000 (31 December 2019: HK\$4,079,000).

During the 2020 First Quarter and up to the date of this report, the Group has made the following issues for cash equity securities:

- a. On 3 January 2020, a total of 63,000,000 consideration shares have been issued at the price of HK\$0.28 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 100% of issued share capital of Win Everest Group.
- b. On 31 March 2020, a total of 55,320,000 shares have been successfully placed by a placing agent to not less than six placees at the placing price of HK\$0.18 per placing share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing, after deducting relevant expenses incurred in relation to the placing, amount to approximately HK\$9.76 million.

## ***Fund raising activities of the Group during the past twelve months***

<b>Date of announcement</b>	<b>Fund raising activities</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of net proceeds</b>	<b>Actual use of net proceeds</b>
11 June 2019 (completed on 21 August 2019)	Right issue on the basis of one rights share for every two shares held on the record date at HK\$0.0248 per right share (before share consolidation adjustment)	HK\$33.2 million	(i) Approximately HK\$30.12 million for repayment of promissory notes of the Company; and  (ii) Approximately HK\$3.08 million for the Group's general working capital purpose.	Used as intended
28 February 2020 (completed on 31 March 2020)	Placing 55,320,000 new shares at HK\$0.18 per placing shares	HK\$9.76 million	(i) Approximately HK\$8 million for procurement of wine; and  (ii) Approximately HK\$1.76 million for the Group's general working capital purpose.	Used as intended

## ***Borrowings / promissory notes***

As at 31 March 2020, the carrying amount of the Group's borrowings / promissory notes was approximately HK\$144.59 million (31 December 2019: HK\$94.27 million).

## ***Gearing ratio***

Gearing ratio is calculated as net debt (borrowings, promissory notes and lease liabilities, less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interest). As at 31 March 2020 and 31 December 2019, the gearing ratio was approximately 26% (31 December 2019: 20%)

## **Contingent Liabilities**

As at 31 March 2020, the Group granted corporate guarantees to secure general banking facilities up to HK\$60 million (2019: Nil).

## **Charge of Assets**

As at 31 March 2020, the Group pledged a floating charge on inventories to secure the general banking facilities.

## **Dividend**

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

## **Employees Numbers and Remuneration Policy**

As at 31 March 2020, the Group had around 220 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 4 October 2019, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into a sale and purchase agreement to acquire 100% of issued share capital of Win Everest Holdings Limited and its wholly owned subsidiary (collectively referred to as the "Win Everest Group") at HK\$60 million. The consideration has been satisfied by (i) HK\$5 million in cash upon the signing of the sale and purchase agreement; (ii) the issue of the promissory note by the purchaser to the vendor as to HK\$17.64 million upon completion; and (iii) the issue and allotment of the 63,000,000 consideration shares at share price of HK\$0.28 per share by the Company upon completion. The Win Everest is principally engaged in supply of self-cultivated grapes for winery business and has a vineyard located in Margaret River region in Australia. The acquisition has been completed on 3 January 2020.

Pursuant to the announcement of the Company dated 12 February 2020, a direct wholly owned subsidiary of the Company as the vendor and the purchaser has entered into two sets of provisional sale and purchase agreement to disposal of the entire equity interest in and sale loans of, Eternity Rise Investments Limited and Eternity Rise Property Limited, two indirect wholly owned subsidiaries of the Group, at the considerations of HK\$16,800,000 and HK\$11,200,000 respectively. The considerations are payable upon completion of the disposal and the disposal has not completed up to the date of this report.

Save as disclosed elsewhere in the First Quarterly Financial Statements, there is no plan for material investments or capital assets as at 31 March 2020.

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

As at 31 March 2020, there was no outstanding share options under the Share Option Scheme.

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

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

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

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

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

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

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

As at 31 March 2020, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

### Long Positions in the Company

Name of Director	Capacity / nature of interest	Total number of ordinary shares held	Approximate percentage of interest
Ms. Huang Wei	Beneficial owner	63,835,200	11.97%

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives of the Company had, or deemed to have, any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 March 2020, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following parties have interests or short positions in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

### **Long Positions in Shares and Underlying Shares of the Company**

<b>Name</b>	<b>Capacity / nature of interest</b>	<b>Total number of ordinary shares</b>	<b>Approximate percentage of interest</b>
Chow Yat Too	Beneficial owner	63,000,000	11.81%

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the 2020 First Quarter was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF THE SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the 2020 First Quarter.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors, and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the 2020 First Quarter or as at 31 March 2020.

## **AUDIT COMMITTEE**

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

As at 31 March 2020, the Audit Committee consists of three members, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.* Mr. Li Lap Keung, is the chairman of the Audit Committee.

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

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

Hong Kong, 13 May 2020

*As at the date of this report, 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.*