



CHINESE FOOD AND BEVERAGE GROUP LIMITED

華人飲食集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8272

2011

Interim Report



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of CHINESE FOOD AND BEVERAGE GROUP LIMITED (the “Company”) (the “Directors”) 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 that there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the “Latest Company Reports” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.cfbgroup.com.hk.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors of the Company (the “**Board**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 October 2011 together with the comparative unaudited figures for the previous corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 October 2011

	<i>Notes</i>	Three months ended 31 October		Six months ended 31 October	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	2,763	1,933	3,754	4,259
Cost of sales		(1,760)	(1,845)	(2,717)	(4,032)
Gross profit		1,003	88	1,037	227
Other operating income		312	2,023	4,958	4,071
Change in fair value of held-for-trading investments		(2,400)	(11,091)	(10,200)	(46,371)
Selling and distribution costs		(4,055)	–	(4,055)	–
Administrative expenses		(7,577)	(11,076)	(12,320)	(20,079)
Finance costs		–	(68)	(15)	(157)
Share of results of an associate		541	151	4,335	1,181
Loss before tax		(12,176)	(19,973)	(16,260)	(61,128)
Income tax expense	4	–	1,830	–	7,650
Loss for the period, attributable to owners of the Company		(12,176)	(18,143)	(16,260)	(53,478)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	6				
– basic and diluted		(0.42)	(0.76)	(0.56)	(2.23)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 October 2011

	Three months ended 31 October		Six months ended 31 October	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period	(12,176)	(18,143)	(16,260)	(53,478)
Other comprehensive income				
Exchange difference arising on translation	454	705	532	705
Total comprehensive expenses for the period	(11,722)	(17,438)	(15,728)	(52,773)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

As at 31 October 2011

	Notes	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
Non-current assets			
Plant and equipment		4,602	5,151
Available-for-sale investments		500	500
		5,102	5,651
Current assets			
Inventories		219	–
Trade and other receivables	7	49,264	38,804
Convertible note receivable at fair value through profit or loss		36,014	36,014
Loans receivable		30,000	30,000
Held-for-trading investments		7,200	17,400
Bank balances and cash		10,165	34,915
		132,862	157,133
Assets classified as held for sale		37,837	32,969
		170,699	190,102
Current liabilities			
Trade and other payables	8	6,692	8,421
Other borrowing		–	2,495
Income tax payable		9,661	9,661
		16,353	20,577
Net current assets		154,346	169,525
		159,448	175,176
Capital and reserves			
Share capital		2,882	2,882
Reserves		156,566	172,294
		159,448	175,176

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2011

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2010 (audited)	2,402	98,283	70,904	63	(31,062)	140,590
Total comprehensive income (expenses) for the period	–	–	–	705	(53,478)	(52,773)
Transfer to reserve for share options lapsed	–	–	(68,088)	–	68,088	–
At 31 October 2010 (unaudited)	2,402	98,283	2,816	768	(16,452)	87,817
At 1 May 2011 (audited)	2,882	214,289	2,034	1,529	(45,558)	175,176
Total comprehensive income (expenses) for the period	–	–	–	532	(16,260)	(15,728)
Transfer to reserve for share options lapsed	–	–	(813)	–	813	–
At 31 October 2011 (unaudited)	2,882	214,289	1,221	2,061	(61,005)	159,448

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 October 2011

	Six months ended 31 October	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash used in operating activities	(15,591)	(16,411)
Net cash (used in) from investing activities	(6,648)	26,648
Net cash used in financing activities	(2,512)	(4,000)
Net (decrease) increase in cash and cash equivalents	(24,751)	6,237
Cash and cash equivalents at beginning of the period	34,919	16,012
Cash and cash equivalents at the end of the period	10,168	22,249
Represented by:		
Bank balances and cash	10,168	22,249
Bank balances and cash included in assets classified as held for sale	(3)	—
	10,165	22,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

1. General Information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of its principal place of business in Hong Kong is Unit 1911, 19/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The condensed consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company.

2. Basis of Preparation and Principal Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and the International Financial Reporting Interpretations Committee (the “**IFRIC**”) of the IASB and included applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the value of the consideration given in exchange for goods. Except as described below, the principal accounting policies applied in the preparation of these condensed consolidated financial information are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 30 April 2011.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations (“**new and revised IFRSs**”) issued by the IASB and the IFRIC of the IASB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

2. Basis of Preparation and Principal Accounting Policies *(continued)*

IFRSs (Amendments)	Improvements to IFRSs 2010 except for the amendments to IFRS 3 (Revised in 2008), IFRS 7, IAS 1, and IAS 28
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IAS 24 (Revised)	Related Party Disclosures
IFRIC – Interpretations (“Int”) 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Turnover and Segment Information

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is consistent with the basis adopted in the Group’s consolidated financial statements for the year ended 30 April 2011.

During the period under review, the Group commenced to operate a Chinese restaurant in Hong Kong, the Group’s activity is organised into three reportable segments, including (i) catering business (“**Catering**”); (ii) sales of apparel products (“**Sales of apparel**”) and (iii) sales of electronic products (“**Sales of electronic**”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

3. Turnover and Segment Information *(continued)*

The following is an analysis of the Group's turnover, results, and total assets by reportable segment:

	Turnover		Results	
	Six months ended 31 October			
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Catering	1,768	–	(3,530)	–
Sales of apparel	–	–	–	–
Sales of electronic	1,986	4,259	(324)	208
	3,754	4,259	(3,854)	208
Interest income			642	847
Change in fair value of held-for-trading investments			(10,200)	(46,371)
Finance costs			(15)	(157)
Share of results of an associate			4,335	1,181
Unallocated corporate income			4,292	3,200
Unallocated corporate expenses			(11,460)	(20,036)
Loss before tax			(16,260)	(61,128)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

3. Turnover and Segment Information *(continued)*

	Total assets	
	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
Catering	5,745	—
Sales of apparel	—	—
Sales of electronic	1,323	986
Unallocated corporate assets	168,733	194,767
	175,801	195,753

4. Income Tax Expense

	Six months ended 31 October	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax		
– Hong Kong	—	—
– Other jurisdiction	—	—
Deferred tax credit	—	7,650
	—	7,650

The Company is an exempted company incorporated in the Cayman Islands, as such it is not liable for taxation in the Cayman Islands on its non-Cayman Islands income. No provision for Hong Kong profits tax or tax of other jurisdictions was made as the Group has no assessable profit during the periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

5. Dividend

The Board does not recommend the payment of dividend for the six months ended 31 October 2011 (six months ended 31 October 2010: Nil).

6. Loss Per Share

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

	Six months ended 31 October	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(16,260)	(53,478)
	'000	'000
Weighted average number of ordinary shares in issue	2,882,400	2,402,000

The computation of diluted loss per share is the same as the basic loss per share for the two periods ended 31 October 2011 and 31 October 2010 as the exercise of the Company's share options is not assumed due to the exercise price of the outstanding share options during these two periods was higher than the average market price of the Company's shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

7. Trade and Other Receivables

	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
Trade receivables (<i>note a</i>)	1,132	984
Prepayments, deposits and other receivables	4,132	2,820
Deposits paid (<i>note b</i>)	44,000	35,000
	49,264	38,804

The Group allows a general credit period of 30 to 90 days to its customers.

- (a) An aged analysis of the trade receivables, net of impairment loss recognised, presented based on invoice date at the end of the reporting period is as follows:

	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
0 – 30 days	123	–
31 – 60 days	1,009	984
	1,132	984

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

7. Trade and Other Receivables *(continued)*

- (b) At 30 April 2011, the amount represents the earnest money paid to Sino Favour Group Limited, an independent third party not connected with the Group in relation to a cooperative framework agreement for the set up of a food manufacturing and processing factory in the PRC. Details of the cooperative framework agreement can be found in the announcement of the Company dated 15 March 2011. On 21 July 2011, the cooperative framework agreement was terminated and the Group received full refund of the amount. At 31 October 2011, the amount represents the earnest money paid to Key Ally Limited, an independent third party not connected with the Group in relation to a memorandum of understanding for a proposed equity investment in a group involved in the production, processing and sales of traditional Chinese food products made from natural fruits such as jujube and hawthorn fruit. Details of the memorandum of understanding can be found in the announcement of the Company dated 17 August 2011.

8. Trade and Other Payables

	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
Trade payables	405	–
Accruals, deposits and other payables	6,287	8,421
	6,692	8,421

An aged analysis of the trade payables presented based on invoice date at the end of the reporting period is as follows:

	31 October 2011 (Unaudited) HK\$'000	30 April 2011 (Audited) HK\$'000
0 – 30 days	405	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

During the six months ended 31 October 2011 (the “**Reporting Period**”), the Group recorded a revenue of HK\$3,754,000, representing a 11.9% decrease as compared with the last corresponding period. The revenue was recorded primarily from the sales of electronic products and the catering business.

Loss for the period

The Group recorded a loss of HK\$16,260,000 for the Reporting Period, as compared with a loss of HK\$53,478,000 of the last corresponding period. The reduction in loss for the Reporting Period was due to the decrease in loss on change in fair value of held-for-trading investments and our cost control procedures leading to a moderate reduction in administrative expenses.

Proposed Investment in Cheong Tat

As previously disclosed in the first quarterly report of the Company, the Board reported its proposed investment in Cheong Tat International Development Limited (“**Cheong Tat**”) by approving the exercise of the conversion rights attached to the convertible bonds issued by Cheong Tat in the principal amount of HK\$35,154,000 (“**Convertible Bonds**”) (collectively, the “**January Conversion**”). Upon completion of the January Conversion, the Company will own approximately 85% of the issued share capital of Cheong Tat as enlarged by the issuance of the conversion shares.

Cheong Tat owns the entire 100% equity interest in a PRC-incorporated company which in turn holds 60% equity interest in each of 承德五穀農莊食品有限公司 (Chengde Wugu Farming & Food Co. Ltd.*) and 承德綠豐生態農業科技發展有限公司 (Chengde Lufeng Farming & Technology Co. Ltd.*) (collectively, the “**Operating Companies**”). The Operating Companies are headquartered in Chengde City, Hebei Province, the PRC and are principally engaged in the production and sales of instant noodle products and instant soup base, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the agreement in relation to the subscription of the Convertible Bonds (the “**CB Subscription Agreement**”), in the event that the aggregate net profit after tax of the Operating Companies falls below RMB100 million for the year ended 31 December 2010 (the “**Profit Target**”) or RMB170 million for the year ending 31 December 2011, then prior to maturity of the Convertible Bonds, the total number of conversion shares of Cheong Tat issued to Megamillion Asia Limited (“**Megamillion**”), an indirect wholly-owned subsidiary of the Company (being the subscriber under the CB Subscription Agreement), shall be increased such that if the subscription rights of the Convertible Bonds were exercised in full, the conversion shares shall ultimately represent 99% of the entire equity interest of Cheong Tat, as enlarged by such conversion.

Based on the audited accounts of the Operating Companies provided by Cheong Tat, the Profit Target has not been met. On 9 August 2011, the Board resolved to revise the January Conversion pursuant to the CB Subscription Agreement and request Cheong Tat to issue conversion shares representing 99% of the entire equity interest of Cheong Tat as enlarged by the revised January Conversion to Megamillion (collectively, the “**Proposed Conversion**”).

The Proposed Conversion presents an opportunity to expand into the PRC’s non-fried instant noodles market in which currently only a limited number of companies are participating. The Proposed Conversion constitutes a very substantial acquisition for the Company and is subject to the shareholders’ approval. The Board expects the circular and the notice of the meeting to be convened and held to approve the Proposed Conversion and the transactions contemplated thereunder will be despatched to the shareholders on or before 31 January 2012.

CAPITAL STRUCTURE

There was no change in the Company’s capital structure during the Reporting Period. The Company’s issued share capital was HK\$2,882,400 and the number of its issued ordinary shares was 2,882,400,000 shares of HK\$0.001 each (the “**Shares**”).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 31 October 2011, the Group held held-for-trading investments amounted to approximately HK\$7,200,000 (as at 30 April 2011: approximately HK\$17,400,000), the available-for-sale investments amounted to approximately HK\$500,000 (as at 30 April 2011: approximately HK\$500,000) and interest in an associate amounted to approximately HK\$37,834,000 (as at 30 April 2011: approximately HK\$32,965,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Reporting Period ended with the net bank balances and cash of HK\$10,165,000 (as at 30 April 2011: HK\$34,915,000) and the net current assets of HK\$154,346,000 (as at 30 April 2011: HK\$169,525,000). The gearing ratio, computed as other borrowings over total equity, stood at Nil at the end of the Reporting Period (as at 30 April 2011: 1.4%).

HUMAN RESOURCES

At 31 October 2011, the Group employed a total of 58 employees as compared with 34 employees in the last corresponding period.

CHARGE ON GROUP'S ASSETS

There was no charge on the Group's assets during or at the end of the Reporting Period.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in the section headed "BUSINESS AND FINANCIAL REVIEW" above, the section headed "PROSPECT AND OUTLOOK" below, the Group has no imminent plan for material investment or capital asset nor any material contingent liability at the end of the Reporting Period.

FOREIGN CURRENCY EXPOSURE

The Group does not have a foreign currency hedging policy as the Board considers that the currency exposure is immaterial. However, the management will monitor foreign exchange position and will consider appropriate action should the circumstances change.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCE TO ENTITY

An earnest deposit in the amount of HK\$44,000,000 has been made by Red Bloom Limited (the **“Proposed Purchaser”**), an indirect wholly-owned subsidiary of the Company, to Key Ally Limited (the **“Proposed Vendor”**), a company incorporated in the British Virgin Islands with limited liability, pursuant to the MOU as detailed in the section headed **“PROSPECT AND OUTLOOK”** below (collectively, the **“Earnest Deposit”**). As the amount of the Earnest Deposit exceeded 8% of the total assets of the Company as defined under Rule 19.07(1) of the GEM Listing Rules, the entering into of the MOU constituted an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. The Proposed Purchaser proposed to invest in the Target Company by making equity investment with controlling interest in the Target Company. Pursuant to the MOU, the Proposed Purchaser shall conduct the due diligence review of the assets, liabilities, operations and affairs of the Target Company and Taiyuan Hanbo within a period of 180 calendar days from the date of signing of the MOU (the **“Exclusivity Period”**) (collectively, the **“DD Review”**). The Proposed Vendor shall supply the Proposed Purchaser with information on, among others, the financial or business position of the Target Company or any of its subsidiaries or associated companies and information relating to Taiyuan Hanbo. The Guarantor undertakes to guarantee the performance of all obligations of the Proposed Vendor under the MOU.

If the Proposed Purchaser, at its absolute discretion, is not satisfied with the results of the DD Review or decides not to proceed further in relation to the Proposed Investment on or before the expiry of the Exclusivity Period, the Proposed Vendor shall return the Earnest Deposit without any accrued interest to the Proposed Purchaser within 3 business days upon receipt of written notice of dissatisfaction from the Proposed Purchaser or its decision not to proceed. If no Formal Agreement is entered into or if no agreement to extend the Exclusivity Period is reached on or before the expiration of the Exclusivity Period, the MOU shall lapse on the date of expiration of the Exclusivity Period and the Proposed Vendor shall refund the Earnest Deposit without any accrued interest to the Proposed Purchaser within 3 business days thereafter. In the event the Formal Agreement is entered into between the Proposed Purchaser and the Proposed Vendor, the Earnest Deposit shall be applied as a deposit and partial payment of the consideration for the Proposed Investment in accordance with the terms of the Formal Agreement. If the consideration per the Formal Agreement is less than the Earnest Deposit, the Proposed Vendor shall, forthwith upon the signing of the Formal Agreement(s), refund such excess of the Earnest Deposit to the Proposed Purchaser. For further details, please refer to and in the announcement of the Company dated 17 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT AND OUTLOOK

The Group has been principally engaged in the local catering business and brand management and is acting as a sourcing agent for reputable buyers in a variety of products. It is the Group's corporate strategy to explore other industries with good business potential and growth prospects, including but not limited to, the food and beverage industry in the PRC.

To explore and expand into the PRC food and beverage industry, the Group entered into the CB Subscription Agreement with Cheong Tat in November 2010. As further investment by way of financing to Cheong Tat will be required, the Board decided to convert the Convertible Bonds to consolidate control over the management of Cheong Tat. As reported under the section headed "Proposed Investment in Cheong Tat" above, the Proposed Conversion shall be put forward for the shareholders' approval at the EGM. It is expected that upon completion of the Proposed Conversion, the Group will be largely involved in the business development and branding of the instant food business in the PRC.

On 17 August 2011, the Proposed Purchaser entered into a memorandum of understanding with two independent third parties; namely, the Proposed Vendor and Mr. Ng Wai Huen (as the guarantor) (the "**MOU**") in relation to a proposed equity investment with controlling interest in Excel Time Holdings Limited (the "**Target Company**"), a wholly-owned subsidiary of the Proposed Vendor (collectively, the "**Proposed Investment**"). The Target Company is an investment holding company which entered into a framework agreement with various PRC persons in relation to the possible acquisition of interest in 太原市漢波食品工業有限公司 (Taiyuan Hanbo Food Industrial Limited*) ("**Taiyuan Hanbo**") on 31 July 2011.

Taiyuan Hanbo is headquartered in Taiyuan City, Shanxi Province, which is principally engaged in the production, processing and sales of traditional Chinese food products made from natural fruits such as jujube and hawthorn fruit. Taiyuan Hanbo has factory facilities situated in Taiyuan City with production capacity of over 10,000 tons per annum. The production process and management system of Taiyuan Hanbo are accredited with various certifications from the China Quality Certification Centre including ISO9001:2000 for its quality management system, ISO14001:2004 for its environmental management system and HACCP for its food safety control system. The products of Taiyuan Hanbo are distributed

MANAGEMENT DISCUSSION AND ANALYSIS

under its own registered brand name “Hanbo 漢波” throughout the PRC and exported to overseas countries. Certain products of Taiyuan Hanbo have registered invention patents at the State Intellectual Property Office of the PRC and its brand name, “Hanbo 漢波”, was also recognized as a well-known trademark by the State Administration for Industry and Commerce of the PRC.

The Proposed Investment may or may not proceed. As reported under the section headed “Advance to Entity” above, pursuant to the MOU, the Proposed Purchaser shall conduct the DD Review within the Exclusivity Period and the Earnest Deposit has been paid to the Proposed Vendor by the Proposed Purchaser.

Should the Proposed Investment materialize, it will constitute a notifiable transaction for the Company under the GEM Listing Rules and the Company will make further announcement(s) in compliance with the requirements of the GEM Listing Rules.

The Directors expect the Proposed Investment to allow the Group to further expand its reach in the PRC food industry.

To diversify into the local catering business, Able Wind Limited (榮風有限公司), an indirect subsidiary of the Company, commenced operation of a Chinese restaurant in Wanchai in the middle of October 2011. The restaurant is trading as East Ocean Dragon Seafood Restaurant (東海龍王海鮮酒家) and can accommodate up to 250 people, targeting the high end market.

The Board would like to thank all business partners and shareholders of the Company for their continued support and confidence in our management and the Company. It is our vision to continue our Group’s corporate strategy to explore other industries with good business potential and growth prospects to gain attractive returns for our investors.

OTHER INFORMATION

Change of Company Name and Stock Short Name

The proposed change of name of the Company from “BEST MIRACLE INTERNATIONAL LIMITED 進能國際有限公司” to “Chinese Food and Beverage Group Limited 華人飲食集團有限公司” (the “**Change of Company Name**”) was approved by the shareholders of the Company at the extraordinary general meeting held on 31 August 2011. The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands and took effect on 31 August 2011 and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 30 September 2011. The stock short names for trading in the shares of the Company on the Stock Exchange was changed from “BEST MIRACLE” to “C FOOD&BEV GP” in English and from “進能國際” to “華人飲食集團” in Chinese on 10 October 2011. The stock code of the Company remains unchanged.

The Board believes that the new name better reflects the Company’s future business direction, while highlighting its business strategies in the development of food and beverage industry.

Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 October 2011, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares and underlying shares of HK\$0.001 each in the capital of the Company (the “Shares”)

Name of Director	Nature of interests/holding capacity	Number of		Shares and underlying Shares	Approximate Total percentage of interests in the Company's issued share capital
		Shares	underlying Shares		
Mr. Chan Fu Kei	Personal	–	1,000,000 (Note)	1,000,000	0.03%
Mr. Too Shu Wing	Personal	–	1,000,000 (Note)	1,000,000	0.03%

Note: These underlying Shares represent share options of the Company granted on 11 September 2009 to the directors pursuant to the share option scheme adopted by the Company on 10 June 2003 (the “Share Option Scheme”). The share options entitled the holders thereof to subscribe for new Shares at an exercise price of HK\$0.70 per Share during the period from 11 September 2009 to 10 September 2012, subject to the provisions of the Share Option Scheme.

Save as disclosed above, as at 31 October 2011, none of the Directors and the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporation (within the meaning of the SFO), as recorded in the register required to be kept under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

OTHER INFORMATION

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, as at 31 October 2011, neither the Company nor any of its subsidiaries was a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, or there have, at any time during the Reporting Period, subsisted such arrangement(s) as aforesaid and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Substantial Shareholders' and Other Persons with Interests and Short Positions in the Shares and Underlying Shares

As at 31 October 2011, the following parties, other than Directors and the chief executive of the Company, held interests or short positions in the Company's Shares or underlying Shares were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interests/holding capacity	Number of Shares	Approximate percentage of interests in the Company's issued share capital (Note 1)
Upper Run Investments Limited (" Upper Run ")	Beneficial Owner	1,019,099,900 (Note 2)	35.36%
Ms. Chan Yuen Fan Winky (" Ms. Winky Chan ")	Interest through controlled corporation	1,019,099,900 (Note 2)	35.36%
Kingston Finance Limited (" Kingston ")	Having a security interest	1,010,000,000 (Note 3 & 4)	35.04%

OTHER INFORMATION

Name of shareholder	Nature of interests/holding capacity	Number of Shares	Approximate percentage of interests in the Company's issued share capital (Note 1)
Ample Cheer Limited ("Ample Cheer")	Interest through controlled corporation	1,010,000,000 (Note 4)	35.04%
Best Forth Limited ("Best Forth")	Interest through controlled corporation	1,010,000,000 (Note 4)	35.04%
Mrs. Chu Yuet Wah ("Mrs. Chu")	Interest through controlled corporation	1,010,000,000 (Note 4)	35.04%

Notes:

1. As at 31 October 2011, the Company's issued ordinary share capital was HK\$2,882,400 divided into 2,882,400,000 Shares of HK\$0.001 each.
2. These Shares are beneficially owned by Upper Run, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Ms. Winky Chan. By virtue of the SFO, Ms. Winky Chan is deemed to be interested in the Shares held by Upper Run.
3. Kingston has a security interest in 1,010,000,000 Shares out of the Shares held by Upper Run mentioned in Note 2 above.
4. Kingston is wholly-owned by Ample Cheer which is in turn 80% owned by Best Forth. Best Forth is in turn wholly-owned by Mrs. Chu. By virtue of the SFO, each of Mrs. Chu, Best Forth and Ample Cheer is deemed to be interested in the Shares in which Kingston is interested as mentioned in Note 3 above.

OTHER INFORMATION

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 October 2011 which required to be recorded pursuant to Section 336 of SFO.

Share Option Scheme

The Company adopted the Share Option Scheme to provide incentive to people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company. Details of the movements in the share options during the Reporting Period were as follows:

Name or category of participant	Date of grant	Effective exercise price <i>HK\$</i>	Exercise period	Movement of share options (adjusted) during the Reporting Period				
				As at 01.05.2011	Exercised	Granted	Lapsed	As at 31.10.2011
Directors								
Mr. Chan Fu Kei	11.09.2009	0.700	11.09.2009 – 10.09.2012	1,000,000	–	–	–	1,000,000
Mr. Too Shu Wing	11.09.2009	0.700	11.09.2009 – 10.09.2012	1,000,000	–	–	–	1,000,000
Ms. Chan Lai Kwan Rainbow (<i>Note</i>)	11.09.2009	0.700	11.09.2009 – 10.09.2012	1,000,000	–	–	(1,000,000)	–
Ms. Wong Yuet May Jeremy (<i>Note</i>)	11.09.2009	0.700	11.09.2009 – 10.09.2012	1,000,000	–	–	(1,000,000)	–
Others								
Staff	11.09.2009	0.700	11.09.2009 – 10.09.2012	1,000,000	–	–	–	1,000,000
Total				5,000,000	–	–	(2,000,000)	3,000,000

Note: Ms. Chan Lai Kwan Rainbow and Ms. Wong Yuet May Jeremy resigned as an executive Director with effect from 1 August 2011 and these unexercised share options lapsed on the same date pursuant to the Share Option Scheme.

Change in information on Directors

The change in information on the Directors during the Reporting Period required to be disclosed pursuant to rule 17.50A (1) of the GEM Listing Rule is as follows:

Mr. Chan Tak Yan, an independent non-executive Director, resigned as an executive director of New Environmental Energy Holdings Limited (Stock code: 3989), a company listed on the Main Board of the Stock Exchange, on 30 June 2011.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has applied the principles in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules and has complied with the code provisions throughout the Reporting Period except the deviations set out below:

Code Provision A.2.1

This code provision stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the Reporting Period, the office of the chairman of the Board remains vacant. The role of the chairman is assumed by executive Directors other than the chief executive officer (Ms. Chan Lai Kwan Rainbow ("**Ms. Chan**") who is also an executive Director (resigned with effect from 1 August 2011)), who have discharged all duties and responsibilities of the chairman. Following Ms. Chan's resignation, the roles of the chairman and chief executive officer have been performed by the other executive Directors. The Board is of the view that there existed a balance of power and authority during the Reporting Period.

OTHER INFORMATION

The Board will continue to review the current structure of the Board from time-to-time. If candidates with suitable knowledge, skills and experience are identified, the Company will make appointments to fill the posts of chairman and the chief executive officer as appropriate.

Code Provision A.4.1

This code provision stipulated that non-executive directors should be appointed for a specific term, subject to re-election.

The existing non-executive Directors were not appointed for a specific term, but subject to retirement by rotation and re-election provisions in accordance with the articles of association of the Company and each of their office may be terminated by either the Company or the non-executive director by giving the other party one-month's written notice. As such, the Company considers that there are sufficient measures in place to ensure that the Company has good corporate governance practices.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

Audit Committee

The Company has established an audit committee on 10 June 2003 with written terms of reference. The audit committee has three members comprising all the three independent non-executive Directors; namely, Mr. Orr Joseph Wai Shing (the chairman of the audit committee), Mr. Chan Tak Yan and Mr. Lam Raymond Shiu Cheung.

The primary duties of the audit committee are to review the Company's annual reports and accounts, interim results announcements or reports and quarterly results announcements or reports and internal control system, and to provide advice and comments thereon to the Board.

OTHER INFORMATION

The unaudited interim results for the six months ended 31 October 2011 have been reviewed by the members of the audit committee.

By order of the Board
Chinese Food and Beverage Group Limited
Yu Sau Lai
Executive Director

Hong Kong, 9 December 2011

As at the date of this report, Ms. Yu Sau Lai, Mr. Chan Fu Kei and Mr. Too Shu Wing are executive Directors; and Mr. Chan Tak Yan, Mr. Orr Joseph Wai Shing and Mr. Lam Raymond Shiu Cheung are independent non-executive Directors.

* *For identification purpose only*

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Yu Sau Lai
Mr. Chan Fu Kei
Mr. Too Shu Wing

Independent Non-Executive Directors

Mr. Chan Tak Yan
Mr. Orr Joseph Wai Shing
Mr. Lam Raymond Shiu Cheung

Company Secretary

Mr. Cheung Yuk Chuen

Compliance Officer

Ms. Yu Sau Lai

Audit Committee

Mr. Orr Joseph Wai Shing
(*Chairman of Audit Committee*)
Mr. Chan Tak Yan
Mr. Lam Raymond Shiu Cheung

Remuneration Committee

Mr. Chan Tak Yan
(*Chairman of Remuneration Committee*)
Mr. Orr Joseph Wai Shing
Mr. Lam Raymond Shiu Cheung

Auditors

Messrs. SHINEWING (HK) CPA Limited

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit 1911, 19/F.
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Principal Bankers

Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Website Address

www.cfbgroup.com.hk

Stock Code

8272