



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



First Quarterly Report  
2012 / 2013

## 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](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.cfbgroup.com.hk](http://www.cfbgroup.com.hk).*

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “**Board**”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 July 2012 together with the comparative unaudited figures for the previous corresponding period as follows:

## Condensed Consolidated Income Statement

For the three months ended 31 July 2012

	<i>Notes</i>	<b>Three months ended 31 July</b>	
		<b>2012</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2011 (Unaudited) (Restated) <i>HK\$'000</i>
Turnover	3	<b>5,678</b>	991
Cost of sales		<b>(6,250)</b>	(957)
Gross (loss) profit		<b>(572)</b>	34
Other operating income		<b>866</b>	1,117
Gain on disposal of subsidiaries		<b>–</b>	3,529
Change in fair value of held-for-trading investments		<b>(2,380)</b>	(7,800)
Administrative expenses		<b>(5,371)</b>	(4,743)
Finance costs		<b>(2)</b>	(15)
Loss before tax		<b>(7,459)</b>	(7,878)
Income tax expense	4	<b>–</b>	–
Loss for the period		<b>(7,459)</b>	(7,878)
Loss for the period attributable to:			
Owners of the Company		<b>(7,230)</b>	(7,878)
Non-controlling interest		<b>(229)</b>	–
		<b>(7,459)</b>	(7,878)
		<b><i>HK cents</i></b>	<i>HK cents</i>
Loss per share			
– basic and diluted	6	<b>(0.17)</b>	(0.27)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 July 2012

	Three months ended 31 July	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) (Restated) <i>HK\$'000</i>
Loss for the period	(7,459)	(7,878)
Total comprehensive expenses for the period	(7,459)	(7,878)
Total comprehensive expenses attributable to:		
Owners of the Company	(7,230)	(7,878)
Non-controlling interest	(229)	—
	(7,459)	(7,878)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 July 2012

	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>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2011 (audited)	2,882	214,289	2,034	1,529	(45,558)	175,176	–	175,176
Total comprehensive expenses for the period	–	–	–	–	(7,878)	(7,878)	–	(7,878)
At 31 July 2011 (unaudited) (restated)	2,882	214,289	2,034	1,529	(53,436)	167,298	–	167,298
At 1 May 2012 (audited)	4,324	226,435	814	1,529	(141,527)	91,575	(525)	91,050
Total comprehensive expenses for the period	–	–	–	–	(7,230)	(7,230)	(229)	(7,459)
At 31 July 2012 (unaudited)	4,324	226,435	814	1,529	(148,757)	84,345	(754)	83,591

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2012

## 1. General Information

The Company was 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 principal activity of the Company is investment holding.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), 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 2012.

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 three months ended 31 July 2012

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

Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7	Disclosures – Transfer of Financial Assets
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets

### **Amendments to IFRS 7 (Disclosures) – Transfer of Financial Assets**

Amendments to IFRS 7 extend the disclosure requirements for the transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The Directors of the Company anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Except for the above, 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

An analysis of the Group's turnover for the period is as follows:

	<b>Three months ended 31 July</b>	
	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Chinese restaurant operation	<b>4,697</b>	–
Sales of electronic products	<b>981</b>	991
	<b>5,678</b>	991

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2012

## 4. Income Tax Expense

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 has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the three months ended 31 July 2012 and 31 July 2011.

## 5. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 July 2012 (three months ended 31 July 2011: nil).

## 6. Loss Per Share

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

	<b>Three months ended 31 July</b>	
	<b>2012 (Unaudited) HK\$'000</b>	<b>2011 (Unaudited) (Restated) HK\$'000</b>
Loss for the period attributable to owners of the Company	<b>(7,230)</b>	(7,878)
Weighted average number of ordinary shares in issue ('000)	<b>4,323,600</b>	2,882,400
Basic loss per share	<b>HK(0.17) cents</b>	HK(0.27) cents



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2012

## 6. Loss Per Share *(continued)*

Diluted loss per share was the same as basic loss per share as the Group sustained a loss for the three months ended 31 July 2012 and 31 July 2011, diluted loss per share was not presented as the potential shares arising from the exercise of the Company's share options would decrease the loss for the periods which is regarded as anti-dilutive.

## 7. Comparative Figures

On 30 September 2010 and thereafter, the Group entered into certain memorandum of understandings with Best Fortress Limited, an independent third party not connected with the Group, for the potential disposal of the entire equity interests in Welford International Industrial Limited, which in turn holds 46% equity interests in 廣東振戎資源有限公司 (Guangdong Zhenrong Resources Company Limited\*) ("**Zhenrong**"). As such, the interest in Zhenrong was transferred to assets classified as held for sale and the Group shall cease to share the results of Zhenrong. Results for the previous corresponding period have been restated for reversal of the share of results of an associate in the amount of HK\$3,794,000 and other comprehensive income in the amount of HK\$78,000. Certain comparative figures have also been reclassified to cope with current period's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND FINANCIAL REVIEW

### Revenue

During the three months ended 31 July 2012 (the “**Reporting Period**”), the Group recorded a turnover of approximately HK\$5,678,000, representing a 473.0% increase as compared with the last corresponding period. The turnover was primarily contributed by the catering business and the sales of electronic products which recorded a turnover of approximately HK\$4,697,000 (three months ended 31 July 2011: nil) and approximately HK\$981,000 (three months ended 31 July 2011: HK\$991,000), respectively.

### Loss for the period

The Group recorded a loss of approximately HK\$7,459,000 for the Reporting Period, representing a 5.3% decrease as compared with a loss of approximately HK\$7,878,000 of the last corresponding period.

### Proposed Investment in Cheong Tat

On 4 November, 2010, Megamillion Asia Limited (“**Megamillion**”), an indirect wholly-owned subsidiary of the Company, subscribed the convertible bonds in the principal amount of HK\$35,154,000 issued by Cheong Tat International Development Limited (“**Cheong Tat**”), a company incorporated in Hong Kong with limited liability, (collectively, the “**Convertible Bonds**”). Cheong Tat owns the entire 100% equity interest in a company incorporated in the People’s Republic of China (the “**PRC**”) 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.

On 29 November 2010, the Board approved the exercise of the conversion rights attached to the Convertible Bonds (the “**January Conversion**”) and the granting of a loan of HK\$30,000,000 to Cheong Tat for a period of 12 months at the interest rate of 4.2% per annum (the “**Second Loan**”). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the agreement in relation to the subscription of the Convertible Bonds by Megamillion (being the subscriber) (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 or RMB170 million for the year ended 31 December 2011 (the “**Profit Target**”), then prior to maturity of the Convertible Bonds, the total number of conversion shares of Cheong Tat issued to Megamillion 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 constitutes a very substantial acquisition for the Company and is subject to the shareholders’ approval.

On 30 January 2012, the Company received a proposal (the “**Proposal**”) from Cheong Tat to settle the outstanding amount of the Second Loan and the accrued interest thereon and the principal amount of the Convertible Bonds against certain asset of Cheong Tat.

After due and careful consideration of the Proposal, with reference to further information obtained from Cheong Tat and legal advices from the Company’s legal consultant, Megamillion did not agree to the Proposal and on 27 April 2012 initiated High Court Action No. 682/2012 in the Court of First Instance of the High Court of Hong Kong (the “**Action**”) against Cheong Tat for, among others, repayment of the Second Loan outstanding and the interest accrued thereon, other relief and costs of the Action and demanded, also by way of the Action, that Cheong Tat redeem the principal amount of the Convertible Bonds.

The Action is, however, still in process as of the date of this report, the Company shall keep the shareholders and the public informed of any material development with respect of the Action by way of further announcement(s) as and when appropriate.

## MANAGEMENT DISCUSSION AND ANALYSIS

As the conversion rights attached to the Convertible Bonds still subsist prior to the redemption of the Convertible Bonds and the Board may or may not proceed with the Proposed Conversion, the Board has postponed the date of despatch of the circular and the notice of the meeting to be convened and held to approve the Proposed Conversion to until 28 September 2012.

### Subscription of Convertible Bonds

On 30 July 2012, Crown Century Investment Limited as a subscriber (the “**Subscriber**”), an indirect wholly-owned subsidiary of the Company, Teamedics Enterprise (Holdings) Company Limited (“**Teamedics Enterprise**”) and Mr. Wong Chi To, Alex as a guarantor, entered into the subscription agreement pursuant to which the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of up to HK\$9,500,000 to be issued by Teamedics Enterprise (the “**Teamedics Convertible Bonds**”) (collectively, the “**Subscription**”). The Teamedics Convertible Bonds have a final maturity date of 31 August 2015 and bear interest at 12% per annum. Assuming the conversion rights attaching to the Teamedics Convertible Bonds are exercised in full at the conversion price of HK\$9.5 per new share to be issued by Teamedics Enterprise (the “**Conversion Shares**”), up to 1,000,000 Conversion Shares will be allotted and issued. For further details, please refer to the Company’s announcement dated 31 July 2012. The Subscription was completed on 20 August 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\$4,323,600 and the number of its issued ordinary shares was 4,323,600,000 shares of HK\$0.001 each (the “**Shares**”).

## SIGNIFICANT INVESTMENTS

As at 31 July 2012, the held-for-trading investments amounted to approximately HK\$9,148,000 (as at 30 April 2012: approximately HK\$11,528,000), the available-for-sale investments amounted to HK\$500,000 (as at 30 April 2012: HK\$500,000), the interest in an associate amounted to approximately HK\$32,965,000 (as at 30 April 2012: approximately HK\$32,965,000) which has been classified as assets held for sale.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, at 31 July 2012, the Group did not hold any other significant investments.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has principally financed its operations by internal resources and shareholders equity. The Reporting Period ended with the net current assets of approximately HK\$79,800,000 (as at 30 April 2012: approximately HK\$86,997,000) including the bank balances and cash of approximately HK\$1,829,000 (as at 30 April 2012: approximately HK\$2,025,000).

The Group had obligation under finance lease of approximately HK\$140,000 as at 31 July 2012 (as at 30 April 2012: approximately HK\$154,000). The gearing ratio, computed as other borrowing and obligation under finance lease over total equity, stood at 0.2% at the end of the Reporting Period (as at 30 April 2012: 0.2%).

### **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**

At the end of the Reporting Period, the Group had contingent liability in respect of corporate guarantee provided in favour of a potential business partner, being an independent third party, for the total amount of HK\$5,000,000 in relation to the obtaining of certain confidential information under a non-disclosure agreement. Save as the abovementioned and as disclosed in the section headed "BUSINESS REVIEW AND FINANCIAL REVIEW" above and 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ADVANCE TO ENTITY

An earnest deposit in the amount of HK\$44,000,000 was 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 memorandum of understanding (the “**MOU**”) in relation to the proposed equity investment with controlling interest in Excel Time Holdings Limited (the “**Target Company**”), which in turn entered into a framework agreement for the acquisition of equity interest in 太原市漢波食品工業有限公司(Taiyuan Hanbo Food Industrial Limited\*) (“**Taiyuan Hanbo**”) (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 of the MOU constituted an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. Pursuant to the MOU, the Proposed Purchaser shall conduct 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, including but not limited to, the financial and business position of the Target Company and any of its subsidiaries or associated companies and information relating to Taiyuan Hanbo. Mr. Ng Wai Huen (as the guarantor) undertakes to guarantee the performance of all obligations of the Proposed Vendor under the MOU.

Based on the results of the DD Review, the Board had resolved not to extend the Exclusivity Period nor to proceed further in relation to the proposed investment. As the Exclusivity Period had ended and no transaction had materialized, the Group had issued a written notice to the Proposed Vendor confirming the lapse of the MOU and requesting the refund of the Earnest Deposit.

On 7 May 2012, the Group had agreed with the Proposed Vendor to amend the repayment terms of the Earnest Deposit, such that the Earnest Deposit shall be repaid by 16 monthly instalments and carry fixed interest at the rate of 5% per annum which shall be charged on the outstanding amount of the Earnest Deposit. As at the date of this report, certain repayments have been made by the Proposed Vendor.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECT AND OUTLOOK

The Group has been principally engaged in the local catering business, 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 and granted the Second Loan to Cheong Tat in November 2010. As reported under the section headed "Proposed Investment in Cheong Tat" above, the Proposed Conversion is subject to shareholders' approval and that on 30 January 2012, the Company received the Proposal from Cheong Tat to settle the outstanding amount of the Second Loan and the accrued interest thereon and the principal amount of the Convertible Bonds against certain asset of Cheong Tat.

After due and careful consideration of the Proposal, with reference to further information obtained from Cheong Tat and legal advices from the Company's legal consultant, Megamillion did not agree to the Proposal and on 27 April 2012 initiated the Action against Cheong Tat for, among others, repayment of the Second Loan outstanding and the interest accrued thereon, other relief and costs of the Action and demanded, also by way of the Action, that Cheong Tat redeem the principal amount of the Convertible Bonds.

The Action is still in process as of the date of this report, the Company shall keep the shareholders and the public informed of any material development with respect of the Action by way of further announcement(s) as and when appropriate.

As the conversion rights attached to the Convertible Bonds still subsist prior to the redemption of the Convertible Bonds and the Board may or may not proceed with the Proposed Conversion, the Board has postponed the date of despatch of the circular and the notice of the meeting to be convened and held to approve the Proposed Conversion to until 28 September 2012.



## MANAGEMENT DISCUSSION AND ANALYSIS

To diversify into the local catering business, the Group commenced its operation of East Ocean Dragon Seafood Restaurant (東海龍王海鮮酒家) (“**East Ocean Dragon**”) at the end of August 2011. East Ocean Dragon is a Chinese restaurant located in Wanchai that targets the high end market and can accommodate up to 250 people. It has received good market recognition and was praised for its innovative cuisines, superior food quality and services. The Group will continue to grow the restaurant’s business by enhancing its public recognition and increasing its customer base.

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.



## Litigations

Details of the litigations of the Group are set out in page 7 of the Company's annual report for the year ended 30 April 2012. Save as disclosed above and in the section headed "Proposed Investment in Cheong Tat" above, there are no other litigations.

## 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 July 2012, 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	underlying Shares	Approximate percentage of interests in the Company's issued share capital	
				Total number of Shares and underlying Shares	
Mr. Too Shu Wing	Personal	–	1,379,000 (Note)	1,379,000	0.03%

## OTHER INFORMATION

### *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. As a result of the Open Offer that completed on 13 February 2012, the exercise price and the number of outstanding share options have been adjusted with effect from 17 February 2012.

Save as disclosed above, as at 31 July 2012, 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.

### **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 July 2012, 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 July 2012, the following parties, other than Directors and the chief executive of the Company, held interests or short positions (directly or indirectly) 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 (" <b>Upper Run</b> ")	Beneficial Owner	1,019,099,900 (Note 2)	23.57%
Ms. Chan Yuen Fan Winky (" <b>Ms. Winky Chan</b> ")	Interest through controlled corporation	1,019,099,900 (Note 2)	23.57%
Kingston Finance Limited (" <b>Kingston</b> ")	Having a security interest	1,010,000,000 (Note 3 & 4)	23.36%
Ample Cheer Limited (" <b>Ample Cheer</b> ")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
Best Forth Limited (" <b>Best Forth</b> ")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
Mrs. Chu Yuet Wah (" <b>Mrs. Chu</b> ")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
China Railway Logistics Limited (" <b>CRL</b> ")	Interest through controlled corporation	296,872,500 (Note 5)	6.87%

## OTHER INFORMATION

### *Notes:*

1. As at 31 July 2012, the Company's issued ordinary share capital was HK\$4,323,600 divided into 4,323,600,000 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. The Company has not received any updated notices of interests filed by Upper Run and Ms. Winky Chan after the completion of the Open Offer.
3. Kingston has a security interest in 1,010,000,000 Shares owned by Upper Run, which relates to the same block of the Shares held by Upper Run as 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, Mrs. Chu, Best Forth and Ample Cheer are deemed to be interested in the Shares held by Kingston as mentioned in Note 3 above.
5. These 296,872,500 Shares comprise (i) 73,110,000 Shares held by Luck Bloom International Limited ("**Luck Bloom**"); (ii) 21,097,500 Shares held by Excel Return Enterprises Limited ("**Excel Return**"); (iii) 21,300,000 Shares held by Sure Venture Investment Limited ("**Sure Venture**"); (iv) 79,365,000 Shares held by Right Magic Limited ("**Right Magic**"); and (v) 102,000,000 Shares held by Top Status International Limited ("**Top Status**"). Each of Luck Bloom, Excel Return, Sure Venture, Right Magic and Top Status is wholly-owned by Rich Best Asia Limited ("**Rich Best**") which is in turn wholly-owned by CRL. By virtue of the SFO, Rich Best and CRL are deemed to be interested in the Shares in which each of Luck Bloom, Excel Return, Sure Venture, Right Magic and Top Status is interested.

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 position in the shares and underlying shares of the Company as at 31 July 2012 which is required to be recorded pursuant to Section 336 of SFO.

### **Competing Interests**

The Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or 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 and save as disclosed herein, has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the deviations set out below:

#### *Code Provision A.2.1*

This code stipulated that the role 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 roles of the chairman and chief executive were performed by the executive Directors. The Board is of the view that there existed a balance of power and authority during the Reporting Period.

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 post(s) of chairman and/or the chief executive 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 are 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 written notice. As such, the Company considers that there are sufficient measures in place to ensure that the Company has good corporate governance practices.

## OTHER INFORMATION

### *Code Provision A.6.7*

This code provision stipulated that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive director of the Company was absent from the last annual general meeting of the Company held on 31 August 2012 due to his other important business engagement.

### *Rule 5.05(1) of the GEM Listing Rules*

This rule provides that every board of directors of a listed issuer must include at least three independent non-executive directors. Subsequent to the resignation of Mr. Chan Tak Yan (“**Mr. Ian Chan**”) on 1 July 2012, the number of independent non-executive Directors has fallen below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. The Company is endeavoring to identify suitable candidate(s) to fill the vacancies as soon as practicable to fulfill Rule 5.06 of the GEM Listing Rules.

## **Audit Committee**

The Company has established the Audit Committee on 10 June 2003 with revised written terms of reference adopted on 15 March 2012 in compliance with the GEM Listing Rules. During the Reporting Period, 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. Lam Raymond Shiu Cheung and Mr. Chan Tak Yan (resigned on 1 July 2012).

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

The unaudited first quarterly results for the three months ended 31 July 2012 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

## OTHER INFORMATION

Subsequent to the resignation of Mr. Ian Chan on 1 July 2012, the number of Audit Committee members has fallen below the minimum number required under Rule 5.28 of the GEM Listing Rules. The Company is endeavoring to identify suitable candidate(s) to fill the vacancies within three months from the effective date of Mr. Ian Chan's resignation pursuant to Rule 5.33 of the GEM Listing Rules.

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

Hong Kong, 7 September 2012

*As at the date of this report, Ms. Yu Sau Lai and Mr. Too Shu Wing are executive Directors; and 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. Too Shu Wing

### **Independent Non-Executive Directors**

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. Lam Raymond Shiu Cheung

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

Mr. Lam Raymond Shiu Cheung  
(*Chairman of Nomination Committee*)  
Mr. Orr Joseph Wai Shing

## **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  
Wing Lung Bank Limited

## **WEBSITE ADDRESS**

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

## **STOCK CODE**

8272