



**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



*Third 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 Announcements” 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 nine months ended 31 January 2013 together with the comparative unaudited figures for the previous corresponding period as follows:

## Condensed Consolidated Income Statement

For the nine months ended 31 January 2013

	<i>Notes</i>	Three months ended 31 January		Nine months ended 31 January	
		2013 (Unaudited)	2012 (Unaudited) (Restated)	2013 (Unaudited)	2012 (Unaudited) (Restated)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	12,706	6,553	32,336	10,307
Revenue		11,185	6,553	22,425	10,307
Cost of sales		(8,633)	(6,814)	(21,211)	(13,242)
Gross profit (loss)		2,552	(261)	1,214	(2,935)
Other operating income		266	1,192	1,282	2,621
Gain on disposal of held-for-trading investments		586	–	4,612	–
Change in fair value of held-for-trading investments		(64)	(240)	(2,749)	(10,440)
Gain on disposal of subsidiaries		–	–	–	3,529
Administrative expenses		(7,604)	(8,446)	(21,197)	(21,110)
Finance costs	4	(212)	–	(310)	(15)
Loss before tax		(4,476)	(7,755)	(17,148)	(28,350)
Income tax expense	5	–	–	–	–
<b>Loss for the period</b>		<b>(4,476)</b>	<b>(7,755)</b>	<b>(17,148)</b>	<b>(28,350)</b>
Loss for the period attributable to:					
Owners of the Company		(4,467)	(7,573)	(16,441)	(27,462)
Non-controlling interest		(9)	(182)	(707)	(888)
		(4,476)	(7,755)	(17,148)	(28,350)
Loss per share		HK cents	HK cents	HK cents	HK cents
– basic and diluted	7	(0.10)	(0.26)	(0.38)	(0.95)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 31 January 2013

	Three months ended 31 January		Nine months ended 31 January	
	<b>2013</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2012 (Unaudited) (Restated) HK\$'000	<b>2013</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2012 (Unaudited) (Restated) HK\$'000
Loss for the period	<b>(4,476)</b>	(7,755)	<b>(17,148)</b>	(28,350)
Total comprehensive expenses for the period	<b>(4,476)</b>	(7,755)	<b>(17,148)</b>	(28,350)
Total comprehensive expenses attributable to:				
Owners of the Company	<b>(4,467)</b>	(7,573)	<b>(16,441)</b>	(27,462)
Non-controlling interest	<b>(9)</b>	(182)	<b>(707)</b>	(888)
	<b>(4,476)</b>	(7,755)	<b>(17,148)</b>	(28,350)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 January 2013

	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	–	–	–	–	(27,462)	(27,462)	(888)	(28,350)
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	600	600
Transfer from reserve for share options lapsed	–	–	(813)	–	813	–	–	–
At 31 January 2012 (unaudited) (restated)	2,882	214,289	1,221	1,529	(72,207)	147,714	(288)	147,426
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	–	–	–	–	(16,441)	(16,441)	(707)	(17,148)
Transfer from reserve for share options lapsed	–	–	(814)	–	814	–	–	–
At 31 January 2013 (unaudited)	4,324	226,435	–	1,529	(157,154)	75,134	(1,232)	73,902

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 January 2013

## 1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The issued 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 13/F., SPA Centre, 53-55 Lockhart 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.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 January 2013

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

### 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

The following is an analysis of the Group's turnover by reportable segment:

	Three months ended 31 January		Nine months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Catering business	11,185	5,563	21,444	7,331
Sales of electronic products	–	990	981	2,976
Gross proceeds from disposal of listed securities	1,521	–	9,911	–
	12,706	6,553	32,336	10,307



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 January 2013

## 4. Finance Costs

	Three months ended 31 January		Nine months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest expenses on obligation under finance lease	1	–	4	–
Interest expenses on other borrowing wholly repayable within one year	211	–	306	15
	212	–	310	15

## 5. 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 or tax of other jurisdictions has been made as the Group did not have any assessable profit for the nine months ended 31 January 2013 and 31 January 2012.

## 6. Dividend

The Board does not recommend the payment of dividend for the nine months ended 31 January 2013 (nine months ended 31 January 2012: nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 January 2013

## 7. Loss Per Share

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

	Three months ended 31 January		Nine months ended 31 January	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) (Restated) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) (Restated) <i>HK\$'000</i>
Loss for the period attributable to owners of the Company	(4,467)	(7,573)	(16,441)	(27,462)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	4,323,600	2,882,400	4,323,600	2,882,400
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	(0.10)	(0.26)	(0.38)	(0.95)

Diluted loss per share is the same as basic loss per share as the Group sustained a loss for the periods ended 31 January 2013 and 31 January 2012, 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 January 2013

## 8. 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 (“**Welford**”), 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 major assets of Welford were 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 reflected the reversal of sharing the results of Zhenrong. The loss attributable to owners of the Company and non-controlling interest for the previous corresponding period has been restated to HK\$27,462,000 and HK\$888,000 respectively. Certain comparative figures have also been reclassified to cope with current period’s presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

### Revenue

During the nine months ended 31 January 2013 (the “**Reporting Period**”), the Group recorded a revenue of approximately HK\$22,425,000, representing a 117.6% increase as compared with the last corresponding period. The increase in revenue was mainly contributed by the catering business, which commenced the operation of a Chinese restaurant in September 2011 and therefore only contributed 5 months revenue for the last corresponding period.

### Loss for the period

The Group recorded a loss of approximately HK\$17,148,000 for the Reporting Period, representing a 39.5% decrease as compared with a loss of HK\$28,350,000 of the last corresponding period. The decrease in loss for the Reporting Period was mainly due to the significant decrease in loss on change in fair value of held-for-trading investments and the gain on trading of listed securities.

### 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.

Given the uncertainty in the progress of the abovementioned matters and in view of the current market conditions, including, among others, the prevailing unstable global economic conditions and their potential impact on business environment, the Board has resolved to discontinue the Proposed Conversion.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group had fully impaired the Second Loan amount and the interest accrued thereon and fully written down the value of the Convertible Bonds during the financial year ended 30 April 2012. As the Second Loan amount and the interest accrued thereon and the value of the Convertible Bonds had been provided for, the Board considers that the discontinuation of the Proposed Conversion has no material adverse impact on the existing business, operation and financial position of the Group. The Directors are of the view that the discontinuation of the Proposed Conversion is fair, reasonable and in the interests of the Company and the shareholders as a whole.

Final judgment against Cheong Tat was granted by the Court of First Instance of the High Court of Hong Kong on 14 January 2013 under and pursuant to which it was adjudged, inter alia, that Cheong Tat shall pay Megamillion (1) the sum of HK\$35,154,000 for redemption of the Convertible Bonds; (2) the sum of HK\$31,777,808 for repayment of the Second Loan; (3) interest at the rate of 4.2% per annum on the principal amount of the Second Loan (in the sum of HK\$30,000,000) from 28 April 2012 to the date hereof and thereafter at judgment rate until payment; (4) interest on the sum of HK\$35,154,000 at judgment rate from the date hereof until payment; and (5) fixed costs in the sum of HK\$1,550.

### 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 represented by 4,323,600,000 ordinary shares of HK\$0.001 each.

On 26 February 2013, the Company announced its proposal to effect the share consolidation for every ten issued and unissued ordinary shares of HK\$0.001 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.01 each (the “**Share Consolidation**”) and change in board lot size from 5,000 shares to 20,000 consolidated shares (the “**Change in Board Lot Size**”) subject to the fulfillment of the conditions set out in the paragraph headed “Conditions of the Share Consolidation” of the announcement of the Company dated 26 February 2013.

For details, please refer to the announcements of the Company dated 26 February 2013 and the circular containing, among other things, further details on the Share Consolidation, the Change in Board Lot Size together with a notice of extraordinary general meeting, will be despatched to the shareholders of the Company on or before 27 March 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

As at 31 January 2013, the held-for-trading investments of the Group amounted to approximately HK\$9,528,000 (as at 30 April 2012: approximately HK\$11,528,000), convertible note receivable at fair value through profit or loss amounted to HK\$9,500,000 (as at 30 April 2012: nil) and 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 asset held for sale.

## LIQUIDITY AND FINANCIAL RESOURCES

The Reporting Period ended with net bank balances and cash of HK\$9,196,000 (as at 30 April 2012: HK\$2,025,000) and net current assets of HK\$58,910,000 (as at 30 April 2012: HK\$86,997,000). The Group had other borrowing of HK\$15,466,000 (as at 30 April 2012: nil) and obligation under finance lease of approximately HK\$112,000 as at 31 January 2013 (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 20.9% 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 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.

## ADVANCE TO ENTITY

### (i) Advance to entity in the amount of HK\$44,000,000

An earnest deposit in the amount of HK\$44,000,000 was paid 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 dated 17 August 2011 (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. Up to the date of this report, the Earnest Deposit has not yet been fully repaid.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (ii) Advance to entity in the amount of HK\$20,000,000

On 4 December 2012, the Company, Rich Paragon Limited (an indirect wholly-owned subsidiary of the Company) (the “**Subscriber**”), Mr. Chui Pui Kun (“**CPK**”) and Coqueen Company Limited (“**Coqueen**”) entered into a framework agreement dated 4 December 2012 (the “**Framework Agreement**”) in respect of the incorporation of Professional Guide Enterprise Limited, a wholly-owned subsidiary of Coqueen, (the “**SPV**”) to facilitate and carry into effect the investment in the operations of Fook Lam Moon Restaurant Limited and the operations of Fook Lam Moon (Kowloon) Restaurant Limited by the Subscriber. While on 18 December 2012, the Company, the Subscriber, Coqueen, the SPV, CPK and Mr. Chui Tak Keung, Duncan entered into a convertible bonds subscription agreement dated 17 December 2012 (the “**Convertible Bonds Subscription Agreement**”) to which the Subscriber has conditionally agreed to subscribe for convertible bonds in the principal amount of HK\$200,000,000 (the “**Subscription**”).

The Convertible Bonds Subscription Agreement superseded the Framework Agreement as well as all and any previous agreements, arrangements or understandings between the parties relating to the matters referred to in the Convertible Bonds Subscription Agreement (save and except the non-disclosure agreement executed in August 2012 between Coqueen and Able Wind Limited, a nominee of the Subscriber), and all previous agreements, understandings or arrangement shall cease and determine with effect from the date of the Convertible Bonds Subscription Agreement.

The Subscriber has paid to the SPV a sum of HK\$20,000,000 as a deposit (the “**Deposit**”). At completion of the Subscription (“**Completion**”), the Deposit shall be applied as partial payment of the subscription price of HK\$200,000,000. If the Convertible Bonds Subscription Agreement is rescinded or terminated in accordance with the terms of the Convertible Bonds Subscription Agreement, or if Completion does not occur simultaneously with and on the same day as the SPV Assets Acquisition (as defined in the Company’s announcement dated 30 January 2013), the entire amount of the Deposit shall be refunded to the Subscriber (without interest) within ten business days of the Subscriber’s issuance of the demand for refund in writing.

The amount of the Deposit exceeds 8% of the total asset of the Company as defined under Chapter 19 of the GEM Listing Rules and it constitutes an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules.

# 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.

### **Guo Fu Lou**

The Group has been expanding in the local catering business. At the end of September 2012, the Group commenced cooperation with Guo Fu Lou Management Limited which possesses expertise in the management, food and beverage quality control, production supervision, menu design, service strategy, business development, banquet imaging, market promotion and other matters relating to the operation of premium Chinese restaurants. The Group has been granted the rights to use the brand of Guo Fu Lou (國福樓), a renowned Michelin One Star restaurant tailored to provide premium Chinese banqueting services for corporate and family gatherings. Further, Guo Fu Lou Management Limited has been appointed to manage and operate an entirely new premium Chinese restaurant in the brand name of Guo Fu Lou (“**Guo Fu Lou Wanchai**”) at the former location of East Ocean Dragon Seafood Restaurant (東海龍王海鮮酒家) in Wanchai commenced from the mid of October 2012. Guo Fu Lou Wanchai targets the top tier premium market and can accommodate up to 180 customers. The cooperation has drawn a lot of market attention and received very good market response and Guo Fu Lou Wanchai 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 providing top of the town services and cuisines.

### **Proposed investment in Fook Lam Moon**

The Group has been proactively identifying potential investment opportunities for building a stronger business foundation, broadening its source of income and improving its overall financial results. In order to further explore into the local catering industry, the Company entered into a subscription agreement on 18 December 2012 to subscribe for convertible bonds in the principal amount of HK\$200,000,000. If the convertible bonds are converted in full at the conversion price of HK\$20,000 per SPV conversion share, a total of 10,000 SPV conversion shares will be issued, representing 50% of the issued share capital of the SPV as enlarged by the conversion.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors consider that the Subscription provides an excellent opportunity for the Company to participate in the local high-end catering market with strong earnings potential and create synergy effect with its existing catering business.

Taking into consideration (i) the Company's corporate strategy at exploring the feasibility of further expansion in catering business, (ii) the basis for the subscription price, (iii) the development potential of the local high-end catering industry, as far as the Directors believe, will continue to perform well in the coming years, the Directors are of the view that the Subscription and the terms of the convertible bonds are fair and reasonable and in the interests of the Company and the shareholders as a whole. Upon completion of the Subscription, the Group will focus on business development of Fook Lam Moon Restaurant Limited and Fook Lam Moon (Kowloon) Restaurant Limited and intends to maintain the operations of all the existing business segments. For details, please refer to the announcement of the Company dated 30 January 2013.

The Board is still looking for other investment opportunities aiming at exploring the feasibility of further expansion in catering business.

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

### **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 January 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which 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 have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

### **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 January 2013, 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 January 2013, 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 ("Upper Run")	Beneficial Owner	1,019,099,900 (Note 2)	23.57%
Ms. Chan Yuen Fan Winky ("Ms. Winky Chan")	Interest through controlled corporation	1,019,099,900 (Note 2)	23.57%
Kingston Finance Limited ("Kingston")	Having a security interest	1,010,000,000 (Note 3 & 4)	23.36%
Ample Cheer Limited ("Ample Cheer")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
Best Forth Limited ("Best Forth")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
Mrs. Chu Yuet Wah ("Mrs. Chu")	Interest through controlled corporation	1,010,000,000 (Note 4)	23.36%
China Railway Logistics Limited ("CRL")	Interest through controlled corporation	426,872,500 (Note 5)	9.87%

## OTHER INFORMATION

### *Notes:*

1. As at 31 January 2013, 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 426,872,500 Shares comprise (i) 73,110,000 Shares held by Luck Bloom International Limited ("**Luck Bloom**"); (ii) 151,097,500 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 positions in the shares and underlying shares of the Company as at 31 January 2013 which 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 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 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 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.



## OTHER INFORMATION

### *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.

### *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 had fallen below the minimum number required under Rule 5.05(1) of the GEM Listing Rules.

In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing the relevant details and reasons for the Company’s failure to meet the requirements. On 27 September 2012, the Company appointed Mr. Matthew Pau as an independent non-executive director of the Company and the requirement under Rule 5.05 (1) of the GEM Listing Rules was fulfilled since then.

### **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 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. Matthew Pau.

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 third quarterly results for the nine months ended 31 January 2013 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

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

Hong Kong, 11 March 2013

*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, Mr. Lam Raymond Shiu Cheung and Mr. Matthew Pau 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  
Mr. Matthew Pau

## **COMPANY SECRETARY**

Ms. Wu Yu Lim Winnie

## **COMPLIANCE OFFICER**

Ms. Yu Sau Lai

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **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**

13/F., SPA Centre  
53-55 Lockhart 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