



**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 2013 / 2014*

## 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 three months ended 31 July 2013 together with the comparative unaudited figures for the previous corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 July 2013

	Notes	Three months ended 31 July	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	9,129	5,678
Revenue		9,129	5,678
Cost of sales		(7,962)	(6,250)
Gross profit (loss)		1,167	(572)
Other operating income		1,134	866
Change in fair value of held-for-trading investments		495	(2,380)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		42,123	–
Change in fair value of derivative financial assets		174	–
Administrative expenses		(22,463)	(5,371)
Finance costs		(18,248)	(2)
Profit (loss) before tax		4,382	(7,459)
Income tax expense	4	–	–
Profit (loss) for the period		4,382	(7,459)
Profit (loss) for the period attributable to:			
Owners of the Company		4,359	(7,230)
Non-controlling interest		23	(229)
		4,382	(7,459)
		HK cents	HK cents (Restated)
Earning (loss) per share			
– basic and diluted	6	0.89	(1.67)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the three months ended 31 July 2013

	Three months ended 31 July	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) for the period	4,382	(7,459)
Total comprehensive income (expenses) for the period	4,382	(7,459)
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	4,359	(7,230)
Non-controlling interest	23	(229)
	4,382	(7,459)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2013

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 May 2012 (audited)	4,324	226,435	814	1,529	–	(141,527)	91,575	(525)	91,050
Loss and 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
At 1 May 2013 (audited)	4,669	232,052	–	1,529	3,638	(165,981)	75,907	(1,140)	74,767
Profit and total comprehensive income for the period	–	–	–	–	–	4,359	4,359	23	4,382
Issue of shares upon exercise of convertible bonds	515	9,126	–	–	(3,638)	–	6,003	–	6,003
Transfer upon disposal of associate	–	–	–	(1,529)	–	1,529	–	–	–
At 31 July 2013 (unaudited)	5,184	241,178	–	–	–	(160,093)	86,269	(1,117)	85,152

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2013

## 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 4th Floor, Phase 1, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, 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. In addition, the Group's unaudited quarterly financial statements include 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.

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the three months ended 31 July 2013 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 April 2013.

In the current period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by IASB.

Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2013

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

### *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Save as the above mentioned presentation changes, the application of the amendments to IAS 1 in the current year has had no material impact on the Group’s financial performance and positions for the current year and prior year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2013

## 3. TURNOVER

Turnover represents the gross proceeds received and receivable from catering business, sales of electronic products and securities trading during the period.

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

	Three months ended 31 July	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Chinese restaurant operation	9,129	4,697
Sales of electronic products	–	981
Gross proceeds from disposal of held-for-trading investments	–	–
	9,129	5,678

## 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 2013 and 31 July 2012.

## 5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 July 2013 (three months ended 31 July 2012: nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 July 2013

## 6. EARNINGS (LOSS) PER SHARE

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

	Three months ended 31 July	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	4,359	(7,230)
	No. of shares '000	No. of shares '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	488,686	432,360
Basic and diluted earning (loss) per share	HK0.89 cents	HK(1.67) cents

The computation of diluted loss per share for the period ended 31 July 2012 had not assumed the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the period which is regarded as anti-dilutive (such share option expired on 10 September 2012).

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the period ended 31 July 2012 has been adjusted for the share consolidation on 5 April 2013. The denominator for the purpose of calculating basic and diluted loss per share as at the period ended 31 July 2012 has been restated to effect the share consolidation as mentioned above.

## 7. COMPARATIVE FIGURES

Loss per share for the previous corresponding period have been restated to effect the share consolidation on 5 April 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND FINANCIAL REVIEW

### Revenue

During the three months ended 31 July 2013 (the “Reporting Period”), the Group recorded a revenue of approximately HK\$9,129,000, representing a 60.8% increase as compared with the last corresponding period. The increase was mainly contributed by the catering business.

### Profit for the period

The Group recorded a profit of approximately HK\$4,382,000 for the Reporting Period, as compared with a loss of approximately HK\$7,459,000 of the last corresponding period. The profit for the Reporting Period was mainly attributable to the increases in revenue and gross profit and significant gain on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss.

### Catering Business

The Group has been expanding in the local catering business. In October 2012, the Group commenced its operation of Guo Fu Lou (國福樓). Guo Fu Lou, Chinese restaurant located in Wanchai, targets the top tier premium market and can accommodate up to 180 customers. The segmental turnover of the catering business for the Reporting Period was approximately HK\$9,129,000 (three months ended 31 July 2012: approximately HK\$4,697,000), representing an increase of approximately 94.4% as compared with the last corresponding period. This catering business achieved satisfactory results due to the successful top tier premium market orientation.

### Securities Investments

The Group has been principally engaged in the local catering business. It is the Group’s corporate strategy to explore other businesses with good business potential and growth prospects including but not limited to the securities investments in both the listed and unlisted companies. During the period ended 31 July 2013, the Group recorded a gain on change in fair value of held-for-trading investments of approximately HK\$495,000 (three months ended 31 July 2012: loss of approximately HK\$2,380,000), gain on change in fair value of derivative financial assets of approximately HK\$174,000 (three months ended 31 July 2012: nil) and gain on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$42,123,000 (three months ended 31 July 2012: nil) of which approximate gain of HK\$42,030,000 was attributable to the convertible bonds of the holding company of Fook Lam Moon restaurants in the principal amount of HK\$200,000,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

During the Reporting Period, totalling 51,500,000 ordinary shares were allotted and issued as the convertible bonds (“Convertible Bonds”) holders exercised the conversion rights attaching to the Convertible Bonds into the Company’s ordinary shares at HK\$0.18 per share.

As at 31 July 2013, the Company’s issued share capital was HK\$5,183,600 and the number of its issued ordinary shares was 518,360,000 shares of HK\$0.01 each (the “Shares”).

## SIGNIFICANT INVESTMENTS

At 31 July 2013, the Group’s investment deposit paid for the investment in Fook Lam Moon group amounted to HK\$20,000,000 (as at 30 April 2013: HK\$40,000,000), loan receivables amounted to approximate of HK\$101,998,000 (as at 30 April 2013: HK\$2,500,000), convertible instruments designated as financial assets at fair value through profit or loss approximately HK\$253,129,000 (as at 30 April 2013: approximately HK\$11,006,000) and held-for-trading investments amounted to HK\$8,642,000 (as at 30 April 2013: approximately HK\$8,148,000).

### Subscription of Convertible Bonds of the holding company of 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 Group entered into a subscription agreement with Professional Guide Enterprise Limited (“SPV”) and its relevant parties on 18 December 2012 to subscribe the convertible bonds of the SPV 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. All the conditions of the Convertible Bonds Subscription Agreement (as defined below) have been fulfilled or waived, as the case may be, and the Subscription (as defined below) was completed on 4 June 2013. At completion, Rich Paragon Limited, an indirect wholly-owned subsidiary of the Company, granted to the SPV the loan in the amount of approximately HK\$116,000,000 (“Fook Lam Moon Project”). For details, please refer to the announcements of the Company dated 30 January 2013, 24 May 2013, 31 May 2013, 4 June 2013 and the circular of the Company dated 20 April 2013 respectively.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has principally financed its operations by internal resources and shareholders equity except for the funds raised to satisfy the subscription of the convertible bonds of the SPV and the provision of the SPV loan as mentioned above. The Reporting Period ended with the net current liabilities of approximately HK\$272,390,000 (as at 30 April 2013: the net current assets of approximately HK\$26,099,000) including the bank balances and cash of approximately HK\$19,626,000 (as at 30 April 2013: approximately HK\$2,534,000).

As at 31 July 2013, the Group had other borrowings amounted to HK\$306,800,000 (30 April 2013: HK\$3,800,000) and obligation under finance lease of approximately HK\$84,000 (30 April 2013: approximately HK\$98,000). The gearing ratio, computed as other borrowings and obligation under finance lease over total equity, stood at 360.4% at the end of the Reporting Period (30 April 2013: 5.2%).

## FUND RAISING ACTIVITIES

### Framework agreement in relation to the proposed subscription and the provision of term loan

On 6 June 2013, the Company, China Merchants Securities (HK) Co., Limited ("CMS") and Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited (collectively, the "Sculptor Funds") entered into a framework agreement in relation to the provision of a loan in the principal amount of US\$20 million and the issue of the convertible bonds by the Company to CMS or any of its affiliates or nominee and the Sculptor Funds and/or their respective affiliates or nominee (the "Subscribers") in the aggregate principal amount of US\$25 million (the "Convertible Bonds") (the "Framework Agreement"). Based on an indicative exchange rate of US\$1:HK\$7.7614, being the market exchange rate at 11:00 a.m. Hong Kong time announced by Treasury Market Association on 6 June 2013, assuming full exercise of the Convertible Bonds on 6 June 2013 at the initial conversion price of HK\$0.55 per conversion share by each of the Subscribers, an aggregate of 352,790,908 conversion shares would be allotted and issued to the Subscribers. The market exchange rate of US\$1:HK\$7.7614 is subject to adjustment at the date of the signing of a formal agreement.

On 5 July 2013, the parties of the Framework Agreement entered into a supplemental framework agreement (the "Supplemental Framework Agreement"), pursuant to which the parties agreed to extend the date of entering into the formal agreement from on or before 6 p.m., 5 July 2013 to 6 p.m., 5 August 2013.

The Company will make further announcement(s) as and when appropriate pursuant to the requirements under the GEM Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGE ON GROUP'S ASSETS

As at 31 July 2013, certain assets with fair value of approximately HK\$363,070,306 were pledged to a lender to secure a loan facility of HK\$300,000,000 (as at 30 April 2013: Nil).

## CAPITAL COMMITMENTS

At 31 July 2013, the Group had capital commitments in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements of approximately HK\$7,661,000 (as at 30 April 2013: approximately HK\$769,000).

## CONTINGENT LIABILITIES

As at 31 July 2013, the Group has contingent liability of approximately HK\$1,636,000 (as at 30 April 2013: approximately HK\$1,636,000) arising from the claim by a third party.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

### Disposal of Welford International Industrial Limited

On 2 July 2013, Ocean Well Enterprises Limited ("Ocean Well"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Unicorn Wealth Holdings Limited, a company incorporated in the Republic of Seychelles with limited liability, in relation to the disposal of 10,000 ordinary shares of HK\$1.00 each of Welford International Industrial Limited ("Welford International"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Ocean Well, representing the entire issued share capital of Welford International and the loan of HK\$22,641,158.26 at the total consideration of HK\$30,000,000 (the "Disposal"). The Disposal was completed on 30 July 2013.

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, and is only subject to the reporting and announcement requirements under the GEM Listing Rules. For details, please refer to the announcement of the Company dated 2 July 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

On 16 July 2013, the Group and the Proposed Vendor agreed to execute a revised repayment schedule to extend the outstanding principal amount of HK\$29,838,000 for a further one year with the same interest rate as agreed by both parties repayable in 11 installments.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) **Advance to entity in the amount of HK\$20,000,000 on 18 December 2012**  
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 (collectively, the "Parties" and each individually as a "Party") 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

The very substantial acquisition in relation to the subscription of convertible bonds in principal amount of HK\$200,000,000 has been completed on 4 June 2013. The entire amount of the deposit paid to the SPV in a sum of HK\$20,000,000 has been applied as a partial settlement of the subscription consideration of HK\$200,000,000. For details, please refer to the announcements of the Company dated 30 January 2013, 22 March 2013, 9 April 2013, 24 May 2013, 31 May 2013, 4 June 2013 and the circular of the Company dated 20 April 2013 respectively.

### (iii) Advance to entity in the amount of HK\$20,000,000 on 24 April 2013

On 23 January 2013, the Parties entered into the second framework agreement (the "Second Framework Agreement") and supplemented by the supplemental second framework agreement dated 30 January 2013 (the "Supplemental Second Framework Agreement") in relation to, inter alia, the adjustment with relevant parties of the Convertible Bonds Subscription Agreement concerning the acquisition of a portion of Coqueen's entire shareholding in the SPV from Coqueen by the Subscriber pursuant to the Second Framework Agreement (the "Further Investment").

In addition, the Parties entered into the third framework agreement on 24 April 2013 (the "Third Framework Agreement") in relation to, inter alia, (i) supersede the Second Framework Agreement and Supplemental Second Framework Agreement; and (ii) replace the Further Investment (together, the "Revised Further Transaction"). Subject to the fulfillment of such conditions precedent to be agreed by the Parties, including, inter alia, the completion of the Subscription and entering into a formal agreement which sets out the definitive terms and conditions for, and which governs and regulates, the Revised Further Transaction by the Parties on or before 30 June 2014 (or such later date as the Parties may agree in writing), the Subscriber shall, after completion of the FLM HK Restructuring, the FLM Kowloon Restructuring and forming a subsidiary of the SPV shall be the sole ultimate beneficial owner of the "Fook Lam Moon" and "福臨門" trademarks which are registered in Hong Kong, Macau and PRC, carry out and complete the Revised Further Transaction by acquiring from Coqueen.

Pursuant to the Third Framework Agreement, the Subscriber shall, forthwith upon execution of the Third Framework Agreement, pay HK\$20,000,000 to Coqueen by way of internal resources of the Group as refundable deposit (the "Framework Deposit"). The Framework Deposit shall be refunded by Coqueen (without interest) within 14 days of the Subscriber's written demand issued at any time after (i) 24 May 2013, or (ii) the Subscriber's issuance of any written notice to Coqueen to terminate negotiation on the terms of the such further formal agreement, whichever shall be later.

The amount of the Framework 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. For details, please refer to the announcement of the Company dated 24 April 2013.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECT AND OUTLOOK

The Group has been principally engaged in the local catering business. 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

Guo Fu Lou targets the top tier premium market and it has drawn a lot of market attention and received very good market response. Guo Fu Lou is 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.

### Investment in Fook Lam Moon

For the Fook Lam Moon Project as discussed at the section under "Significant Investments", the Board is 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, (iv) the preliminary financial results of Fook Lam Moon Restaurant Limited and Fook Lam Moon (Kowloon) Restaurant Limited as at 31 March 2013, 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. The Board would discuss to determine the possible exercise of the conversion rights attaching to the Convertible Bonds issued by the SPV and/or the terms and feasibility of the Revised Further Transaction and/or the terms and feasibility of the Subscription and the Term Loan as defined in the announcement of the Company dated 7 June 2013 in the upcoming board meetings of the Company. After completion of the Subscription, the Group is focusing 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.

### Investment in a food manufacturing plant

In May 2013, the Group had set up a food manufacturing plant in Hong Kong with floor area of approximately 35,000 sq. ft. for the development of branded bakery, cooked and packaged food business. The production lines commenced operation in August 2013. The Directors consider that the food manufacturing plant would broaden the income base and improve the financial performance of the Group.

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

## OTHER INFORMATION

### Litigations

Concerning the tenancy dispute between Joyful Grace Trading Limited ("Joyful Grace") and the landlord of the street-level premises at the junction of Marsh Road and Lockhart Road (the "Landlord"), judgment in favour of the Landlord for outstanding rental has been granted at a hearing on 3 September 2013 with any other damages alleged to have been suffered by the Landlord to be assessed, but Joyful Grace is given unconditional leave to defend the Landlord's claim for rates and management fees.

Joyful Grace will, subject to legal advice, appeal against the granting of summary judgment, defend the Landlord's claim for rates and management fees, contest the Landlord's claim for damages and proceed with its counterclaim against the Landlord.

As such, the litigation is still ongoing, and development of the same will be disclosed as and where appropriate.

Save as disclosed above and on page 9–11 of the Company's annual report for the year ended 30 April 2013, the Group has 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 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

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 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.

## OTHER INFORMATION

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

As at 31 July 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/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
Upper Run Investments Limited ("Upper Run")	Beneficial owner	101,909,990 Shares (Note 2)	19.66%
Ms. Chan Yuen Fan Winky ("Ms. Winky Chan")	Interest through controlled corporation	101,909,990 Shares (Note 2)	19.66%
Major Ally Investments Limited ("Major Ally")	Beneficial owner	43,000,000 Shares (Note 3)	8.30%
Fook Lam Moon Holdings Limited ("FLM Holdings")	Interest through controlled corporation	43,000,000 Shares (Note 3)	8.30%
Mr. Chui Pui Kun ("Mr. CPK")	Interest through controlled corporation	43,000,000 Shares (Note 4)	8.30%
Mrs. Chui Chan Oi Lin Eileen ("Mrs. Eileen Chui")	Interest of spouse	43,000,000 Shares (Note 5)	8.30%
Mr. So Chi Ming ("Mr. SCM")	Beneficial owner	2,552,250 Shares	8.79%
	Interest through controlled corporation	43,000,000 Shares (Note 3)	

## OTHER INFORMATION

Name of shareholder	Nature of interests/ holding capacity	Number of Shares/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
Ms. Yeung Sau Han Agnes ("Ms. Agnes Yeung")	Interest of spouse	45,552,250 Shares (Note 6)	8.79%
Sculptor Finance (AS) Ireland Limited ("Sculptor Finance (AS)")	Beneficial owner	44,687,909 Underlying Shares (Note 7)	8.62%
Sculptor Finance (MD) Ireland Limited ("Sculptor Finance (MD)")	Beneficial owner	130,224,364 Underlying Shares (Note 8)	25.12%
OZAS IR, LLC ("OZAS")	Interest through controlled corporation	44,687,909 Underlying Shares (Note 7)	8.62%
OZMD IR, LLC ("OZMD")	Interest through controlled corporation	130,224,364 Underlying Shares (Note 8)	25.12%
OZ Management, L.P. ("OZ Management")	Interest through controlled corporation	178,409,091 Underlying Shares (Note 9)	34.42%
Och-Ziff Capital Management Group LLC ("Och-Ziff Capital")	Interest through controlled corporation	178,409,091 Underlying Shares (Note 10)	34.42%
Daniel Saul Och	Interest through controlled corporation	178,409,091 Underlying Shares (Note 11)	34.42%

## OTHER INFORMATION

Name of shareholder	Nature of interests/ holding capacity	Number of Shares/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
China Merchants Securities (HK) Co., Limited ("CMS (HK)")	Beneficial owner	176,395,454 Underlying Shares (Note 12)	34.03%
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	176,395,454 Underlying Shares (Note 12)	34.03%
China Merchants Securities Company Limited ("CMS")	Interest through controlled corporation	176,395,454 Underlying Shares (Note 13)	34.03%

### Notes:

- As at 31 July 2013, the Company's issued ordinary share capital was HK\$5,183,600 divided into 518,360,000 Shares of HK\$0.01 each.
- These Shares were 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. Kingston Finance Limited ("Kingston") had a security interest in 1,010,000,000 Shares owned by Upper Run as at 31 January 2013, which related to the same block of the Shares held by Upper Run abovementioned. Based on disclosure of interest filed by Kingston on 6 February 2013, Kingston has no interests in the Company.
- These Shares are beneficially owned by Major Ally, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by FLM Holdings and Mr. SCM respectively, 50% each. By virtue of the SFO, FLM Holdings and Mr. SCM are deemed to be interested in the Shares held by Major Ally.
- 50% issued share capital of Major Ally is owned by FLM Holdings which is in turn wholly owned by Mr. CPK. By virtue of the SFO, Mr. CPK is deemed to be interested in the Shares held by Major Ally as mentioned in Note 3 above.

## OTHER INFORMATION



5. Mrs. Eileen Chui is the spouse of Mr. CPK. By virtue of the SFO, Mrs. Eileen Chui is also deemed to be interested in the Shares held by Major Ally in which Mr. CPK is deemed to be interested as mentioned in Note 4 above.
6. Ms. Agnes Yeung is the spouse of Mr. SCM. By virtue of the SFO, Ms. Agnes Yeung is also deemed to be interested in (i) the 2,552,250 Shares personally held by Mr. SCM and (ii) the 43,000,000 Shares held by Major Ally in which Mr. SCM is deemed to be interested as mentioned in Note 3 above.
7. On 6 June 2013 and 5 July 2013, the Company, CMS (HK), Sculptor Finance (MD), Sculptor Finance (AS) and Sculptor Finance (SI) Ireland Limited entered into a framework agreement and a supplemental framework agreement respectively in relation to the provision of a term loan in the principal amount of US\$20 million and the issue of the convertible bonds by the Company to the Subscribers (defined in the Company's announcement dated 7 June 2013) in the aggregate principal amount of US\$25 million (the "Convertible Bonds"). These underlying shares represent a maximum of 44,687,909 new Shares that may be issued to satisfy the conversion rights attached to the Convertible Bonds are beneficially owned by Sculptor Finance (AS) whose entire issued share capital is beneficially owned by OZAS. By virtue of the SFO, OZAS is deemed to be interested in the underlying shares held by Sculptor Finance (AS).
8. These underlying shares represent a maximum of 130,224,364 new Shares that may be issued to satisfy the conversion rights attached to the Convertible Bonds are beneficially owned by Sculptor Finance (MD) whose entire issued share capital is beneficially owned by OZMD. By virtue of the SFO, OZMD is deemed to be interested in the underlying shares held by Sculptor Finance (MD).
9. These underlying shares represent a maximum of 3,496,818 new Shares that may be issued to satisfy the conversion rights attached to the Convertible Bonds are beneficially owned by Sculptor Finance (SI) Ireland Limited, whose entire issued share capital is beneficially owned by SIMF IR, LLC, which is in turn wholly owned by OZ Management. In addition, the entire issued share capital of OZAS and OZMD are wholly owned by OZ Management. By virtue of the SFO, OZ Management is deemed to be interested in the underlying shares held by Sculptor Finance (SI) Ireland Limited as well as the underlying shares held by Sculptor Finance (AS) and Sculptor Finance (MD) as mentioned in Notes 7 and 8 above.
10. The entire issued share capital of OZ Management is owned by Och-Ziff Holding Corporation which is in turn wholly owned by Och-Ziff Capital. By virtue of the SFO, Och-Ziff Capital is deemed to be interested in the underlying shares held by Sculptor Finance (SI) Ireland Limited, Sculptor Finance (AS) and Sculptor Finance (MD) as mentioned in Notes 7, 8 and 9 above.
11. 67.10% issued share capital of Och-Ziff Capital is owned by Deniel Saul Och. By virtue of the SFO, Deniel Saul Och is deemed to be interested in the underlying shares held by Sculptor Finance (SI) Ireland Limited, Sculptor Finance (AS) and Sculptor Finance (MD) as mentioned in Notes 7, 8 and 9 above.



## OTHER INFORMATION

12. These underlying shares represent a maximum of 176,395,454 new Shares that may be issued to satisfy the conversion rights attached to the Convertible Bonds are beneficially owned by CMS (HK) whose entire issued share capital is beneficially owned by CMS International. By virtue of the SFO, CMS International is deemed to be interested in the underlying shares held by CMS (HK).
13. The entire issued share capital of CMS International is owned by CMS. By virtue of the SFO, CMS is deemed to be interested in the underlying shares held by CMS (HK) as mentioned in Note 12 above.

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 2013 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.

### 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. Matthew Pau and Mr. Hu Dongguang.

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 2013 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

## OTHER INFORMATION

### APPRECIATION

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.

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

Hong Kong, 6 September 2013

*As at the date of this report, Ms. Yu Sau Lai, Mr. Too Shu Wing and Mr. Lam Raymond Shiu Cheung are executive Directors; and Mr. Orr Joseph Wai Shing, Mr. Matthew Pau and Mr. Hu Dongguang are independent non-executive Directors.*

\* For identification purpose only



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Yu Sau Lai

Mr. Too Shu Wing

Mr. Lam Raymond Shiu Cheung

### Independent Non-Executive Directors

Mr. Orr Joseph Wai Shing

Mr. Matthew Pau

Mr. Hu Dongguang

## COMPANY SECRETARY

Ms. Wu Yu Lim Winnie

## COMPLIANCE OFFICER

Ms. Yu Sau Lai

## AUDIT COMMITTEE

Mr. Orr Joseph Wai Shing (*Chairman*)

Mr. Matthew Pau

Mr. Hu Dongguang

## REMUNERATION COMMITTEE

Mr. Matthew Pau (*Chairman*)

Mr. Orr Joseph Wai Shing

Mr. Hu Dongguang

## NOMINATION COMMITTEE

Mr. Matthew Pau (*Chairman*)

Mr. Orr Joseph Wai Shing

Mr. Hu Dongguang

## AUDITORS

ZHONGLEI (HK) CPA Company 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

4/F, Phase 1

Kaiser Estate

41 Man Yue Street

Hung Hom

Kowloon

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