



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

華人飲食



*Interim
Report 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 for at least seven days from the date of its publication and the Company’s website at www.cfbgroup.com.hk.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 October 2013 together with the comparative unaudited figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2013

	Notes	Three months ended 31 October		Six months ended 31 October	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	12,712	13,952	21,841	19,630
Revenue	3	10,683	5,562	19,812	11,240
Cost of sales		(10,498)	(6,328)	(18,460)	(12,578)
Gross profit (loss)		185	(766)	1,352	(1,338)
Other operating income		2,678	150	3,812	1,016
Gain on disposal of held-for-trading investments		158	4,026	158	4,026
Change in fair value of held-for-trading investments		3,740	(305)	4,235	(2,685)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		10,774	–	37,040	–
Change in fair value of derivative financial assets		12,460	–	12,634	–
Loss on redemption of convertible instruments		(1,599)	–	(1,599)	–
Administrative expenses		(9,911)	(8,222)	(23,017)	(13,593)
Finance costs	4	(18,424)	(96)	(30,172)	(98)
Profit (loss) before tax		61	(5,213)	4,443	(12,672)
Income tax expense	5	–	–	–	–
Profit (loss) for the period	6	61	(5,213)	4,443	(12,672)
Profit (loss) for the period attributable to:					
Owners of the Company		59	(4,515)	4,422	(11,745)
Non-controlling interest		2	(698)	21	(927)
		61	(5,213)	4,443	(12,672)
		HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
Earnings (loss) per share					
– basic and diluted	8	0.01	(1.0)	0.88	(2.7)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2013

	Three months ended 31 October		Six months ended 31 October	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) for the period	61	(5,213)	4,443	(12,672)
Total comprehensive income (expenses) for the period	61	(5,213)	4,443	(12,672)
Total comprehensive income (expenses) attributable to:				
Owners of the Company	59	(4,515)	4,422	(11,745)
Non-controlling interest	2	(698)	21	(927)
	61	(5,213)	4,443	(12,672)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2013

	Notes	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
Non-current assets			
Plant and equipment		15,851	3,438
Intangible Assets		1,503	–
Available-for-sale investments		500	500
Deposits paid		20,000	40,000
Convertible instruments designated as financial assets at fair value through profit or loss		252,804	11,006
Loan receivables		101,698	–
		392,356	54,944
Current assets			
Inventories		4,535	620
Trade and other receivables	9	39,067	46,531
Derivative financial assets		13,740	1,460
Loans receivable		–	2,500
Held-for-trading investments		11,695	8,148
Bank balances and cash		5,259	2,534
		74,296	61,793
Assets classified as held for sale		–	30,820
		74,296	92,613

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 October 2013 *(continued)*

	Notes	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
Current liabilities			
Trade and other payables	10	61,409	52,175
Other borrowings		310,300	3,800
Obligation under finance lease		59	58
Income tax payable		9,661	9,661
		381,429	65,694
Liabilities classified as held for sale		–	820
		381,429	66,514
Net current (liabilities)/assets		(307,133)	26,099
Total assets less current liabilities		85,223	81,043
Non-current liabilities			
Convertible bonds		–	6,236
Obligation under finance lease		10	40
		10	6,276
		85,213	74,767
Capital and reserves			
Share capital	11	5,184	4,669
Reserves		81,148	71,238
Equity attributable to owners of the Company		86,332	75,907
Non-controlling interest		(1,119)	(1,140)
Total equity		85,213	74,767

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 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
Total comprehensive expenses for the period	-	-	-	-	-	(11,745)	(11,745)	(927)	(12,672)
Transfer to reserve for share options lapsed	-	-	(814)	-	-	814	-	-	-
At 31 October 2012 (unaudited)	4,324	226,435	-	1,529	-	(152,458)	79,830	(1,452)	78,378
At 1 May 2013 (audited)	4,669	232,052	-	1,529	3,638	(165,981)	75,907	(1,140)	74,767
Total comprehensive income for the period	-	-	-	-	-	4,422	4,422	21	4,443
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 October 2013 (unaudited)	5,184	241,178	-	-	-	(160,030)	86,332	(1,119)	85,213

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2013

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	128	(10,415)
Net cash (used in) from investing activities	(267,293)	6,345
Net cash from financing activities	269,829	3,769
Net increase (decrease) in cash and cash equivalents	2,664	(301)
Cash and cash equivalents at beginning of the period	2,595	2,028
Cash and cash equivalents at the end of the period	5,259	1,727
Represented by:		
Bank balances and cash	5,259	1,717
Bank balances and cash included in assets classified as held for sale	—	10
	5,259	1,727

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 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 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.

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the six months ended 31 October 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 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 item 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.

3. TURNOVER AND SEGMENT INFORMATION

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

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is consistent with the basis adopted in the Group's consolidated financial statements for the year ended 30 April 2013.

The Group's reportable and operating segments under IFRS 8 are as follows:

Catering business	–	the operation of a Chinese restaurant in Hong Kong
Food manufacturing	–	produce food products
Electronic products	–	the sale of electronic products
Securities trading	–	the trading of listed securities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

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

	Three months ended 31 October		Six months ended 31 October	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover				
Revenue from external customers				
– Catering business	8,078	5,562	17,207	10,259
– Food manufacturing business	2,605	–	2,605	–
– Electronic products	–	–	–	981
Gross proceeds from disposal of listed securities	2,029	8,390	2,029	8,390
	12,712	13,952	21,841	19,630
Revenue				
Catering business	8,078	5,562	17,207	10,259
Food manufacturing business	2,605	–	2,605	–
Electronic products	–	–	–	981
	10,683	5,562	19,812	11,240
Segment Results				
Catering business	(20)	(1,884)	94	(4,637)
Food manufacturing business	(1,473)	–	(1,473)	–
Electronic products	–	–	–	(414)
Securities trading	360	1,272	360	1,272
	(1,133)	(612)	(1,019)	(3,779)
Interest income	2,517	56	3,901	843
Change in fair value of held-for- trading investments	3,740	–	4,235	–
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss	10,774	–	37,040	–
Change in fair value of derivative financial assets	12,460	–	12,634	–
Finance costs	(18,423)	(95)	(30,170)	(95)
Unallocated corporate income	159	94	252	40
Unallocated corporate expenses	(10,033)	(4,656)	(22,430)	(9,681)
Profit (loss) before tax	61	(5,213)	4,443	(12,672)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
Segment assets		
Catering business	7,098	43,486
Food manufacturing business	21,143	–
Electronic products	–	1,130
Securities trading	27,234	10,700
Unallocated corporate assets	411,177	92,241
	466,652	147,557
Segment Liabilities		
Catering business	6,838	43,643
Food manufacturing business	7,670	–
Electronic products	–	–
Securities trading	561	5
Unallocated corporate liabilities	366,370	29,142
	381,439	72,790

For the six months ended 31 October 2013, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (six months ended 31 October 2012: all in Hong Kong) and accordingly, no further analysis of the Group's geographical information is disclosed.

4. FINANCE COSTS

	Three months ended 31 October		Six months ended 31 October	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest expenses obligation under finance lease	1	1	2	3
Interest expenses on other borrowings wholly repayable within one year	18,423	95	30,170	95
	18,424	96	30,172	98

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

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 six months ended 31 October 2013 and 31 October 2012.

6. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	Three months ended 31 October		Six months ended 31 October	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff cost (including Directors' emoluments)				
– salaries, bonuses and allowances	5,013	4,023	9,807	8,095
– retirement benefit scheme contributions	332	204	559	417
	5,345	4,227	10,366	8,512
Cost of inventories recognised as expenses	2,716	1,938	5,877	4,193
Depreciation of plant and equipment	1,506	298	1,745	574
Operating lease rentals in respect of rented premises	4,334	1,516	6,604	3,110

7. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

8. 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 October		Six months ended 31 October	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss) for the period attributable to owners of the Company	59	(4,515)	4,422	(11,745)
	No. of shares '000	No. of shares '000 (Restated)	No. of shares '000	No. of shares '000 (Restated)
Weighted average number of ordinary shares in issue	518,360	432,360	503,523	432,360
	HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
Basic and diluted earnings (loss) per share	0.01	(1.0)	0.88	(2.7)

Diluted loss per share is the same as basic loss per share as the Group sustained a loss for the period ended 31 October 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

9. TRADE AND OTHER RECEIVABLES

Both the sales in catering business and food manufacturing business, are mainly conducted in cash or by credit cards, certain customers are granted credit period of 30 days. The Company does not hold any collateral over trade receivables.

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

	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
0 – 30 days	318	476
31 – 60 days	356	196
61 – 90 days	214	37
91 – 120 days	53	35
Over 120 days	326	1,085
	1,267	1,829
Other receivables	37,800	44,702
	39,067	46,531

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

10. TRADE AND OTHER PAYABLES

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

	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
0 – 30 days	3,551	1,126
31 – 60 days	1,917	907
61 – 90 days	7,812	862
91 – 120 days	156	156
More than 120 days but less than one year	1,070	592
	14,506	3,643
Other payables	46,903	48,532
	61,409	52,175

11. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares			
At 1 May 2013 and 31 October 2013	0.01	5,000,000	50,000
Issued and fully paid:			
Ordinary shares			
At 1 May 2013	0.01	466,860	4,669
Issue of share upon conversion of convertible bonds	0.01	51,500	515
At 31 October 2013	0.01	518,360	5,184

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

During the six months ended 31 October 2013 (the “Reporting Period”), the Group recorded a revenue of approximately HK\$19,812,000, representing approximately 76% increase as compared with the last corresponding period. The increase was mainly contributed by catering business and the new business line of food manufacturing business.

Profit for the period

The Group recorded a profit of approximately HK\$4,443,000 for the Reporting Period, as compare with a loss of approximately HK\$12,672,000 of the last corresponding period. The profit for the Reporting Period was mainly attributable to the increases in revenue, gross profit, significant gain on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss and gain on change in fair value of derivative financial assets.

Catering business

The Group has been expanding in the local catering business and commenced its operation of Guo Fu Lou (國福樓) since October 2012. The segmental turnover of the catering business for the Reporting Period was approximately HK\$17,207,000 (six months ended 31 October 2012: approximately HK\$10,259,000), representing an increase of approximately 68% as compared with the last corresponding period. This catering business achieved satisfactory results due to the successful top tier premium market orientation.

Food manufacturing business

The Group built up its food manufacturing factory since May 2013 and launched the food manufacturing business since August 2013. The segmental turnover of HK\$2,605,000 is only the reflects the trial manufacturing period turnover.

Securities investments

The Group has been principally engaged in local catering business and expanding our business into food manufacturing 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 Reporting Period, the Group recorded a gain on change in fair value of held-for-trading investments of approximately HK\$4,235,000 (six months ended 31 October 2012: a loss of HK\$2,685,000), gain on change in fair value of derivative financial assets of approximately HK\$12,634,000 (six months ended 31 October 2012: nil) and gain on change in fair value of convertible instruments designated as instruments at fair value through profit or loss of approximately HK\$37,040,000 (six months ended 31 October 2012: nil) which arisen from 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, totally 51,500,000 ordinary shares were allotted and issued as the convertible bonds holders exercised the conversion right attaching to the convertible bonds into the Company's ordinary shares at HK\$0.18 per share.

As at 31 October 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 October 2013, the Group's investment deposit paid to Coqueen Company Limited ("Coqueen") intended to acquire the entire interest of Coqueen in and over the properties, operation and trademarks of Fook Lam Moon Restaurant Limited and Fook Lam Moon (Kowloon) Restaurant Limited amounted to HK\$20,000,000 (as at 30 April 2013: HK\$40,000,000), loan receivables amounted to approximate of HK\$101,698,000 (as at 30 April 2013: HK\$2,500,000), convertible instruments designated as financial assets at fair value through profit or loss approximately HK\$252,804,000 (as at 30 April 2013: approximately HK\$11,006,000), derivative financial assets approximately HK\$13,740,000 (as at 30 April 2013: approximately HK\$1,460,000) and held-for-trading investments amounted to HK\$11,695,000 (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 (the "Convertible Bonds 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 (the "Subscription"). 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 have been fulfilled or waived, as the case may be, and the Subscription was completed on 4 June 2013. At completion, Rich Paragon Limited ("Rich Paragon"), 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").

On 30 September 2013, the exercise of the conversion rights attached to the convertible bonds (the "Conversion") was resolved by the Board. Pursuant to the Convertible Bonds Subscription Agreement, an shareholders' agreement to be entered into between Coqueen and Rich Paragon in relation to the SPV (the "Shareholders' Agreement") shall be executed by Coqueen (or its subsidiary following the SPV Restructuring (as defined in the announcement of the Company dated 18 October 2013)) and Rich Paragon forthwith upon the Conversion in full.

MANAGEMENT DISCUSSION AND ANALYSIS

As the applicable percentage ratios defined under the GEM Listing Rules of the Conversion exceeds 100%, the Conversion constitutes a very substantial acquisition under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, publication and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As additional time is required for the Company to finalise certain information in the circular, it is expected that the despatch of the circular will be delayed to a date on or before 16 December 2013.

For details, please refer to the announcements of the Company dated 30 January 2013, 24 May 2013, 31 May 2013, 4 June 2013, 7 June 2013, 17 July 2013, 16 September 2013, 18 October 2013, 18 November 2013 and the circular of the Company dated 20 April 2013 respectively.

The Directors believe that the Conversion would bring (i) alignment between the strong brand and earnings potential and the Group's business strategy; (ii) possible enhancement of the corporate image of the Group due to the prominent brand equity of Fook Lam Moon Restaurant Limited ("FLM HK") and Fook Lam Moon (Kowloon) Restaurant Limited ("FLM Kowloon"); and (iii) synergy effect with the existing catering business.

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\$307,133,000 (as at 30 April 2013: the net current assets of approximately HK\$26,099,000) including the bank balances and cash of approximately HK\$5,259,000 (as at 30 April 2013: approximately HK\$2,534,000).

As at 31 October 2013, the Group had other borrowings amounted to HK\$310,300,000 (30 April 2013: HK\$3,800,000) and obligation under finance lease of approximately HK\$69,000 (30 April 2013: approximately HK\$ 98,000). The gearing ratio, computed as other borrowings and obligation under finance lease over total equity, stood at 364% at the end of the Reporting Period (30 April 2013: 5.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 in the aggregate principal amount of US\$25 million (the "Framework 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. Subsequently, no formal agreement to the Framework Agreement has been entered into and therefore, the exclusivity has been null and void. On 4 November 2013, the Company and CMS entered into a second framework agreement (the "Second Framework Agreement") in relation to the possible (i) subscription of convertible bonds issued by the Company to CMS or any of its affiliates or nominee and potential subscribers referred by CMS from time to time and/or their affiliates of nominees (the "Subscribers") in the principal amount of US\$25 million, convertible at any time into fully paid-up ordinary shares of the Company, which shall initially be convertible into not less than 28% shareholding in the Company on a fully diluted basis and (ii) grant of loan facility arranged by CMS from CMS and/or another financial institution invited by CMS to the SPV in the aggregate amount of HK\$225 million (the "Loan Facility").

The proceeds resulting from the subscription of the convertible bonds by the Subscribers will be used for financing the working capital of the Company, the SPV, FLM HK and FLM Kowloon. The Loan Facility will be used for financing the working capital of the SPV, FLM HK and FLM Kowloon. Other terms of the convertible bonds and the Loan Facility shall be further negotiated and shall be set out in the formal legal documentation in relation to the subscription (including the agreement(s) in relation to the subscription and the deeds of charges) and the Loan Facility (including the agreement(s) in relation to the Loan Facility and the deeds of charges), respectively.

Pursuant to the Second Framework Agreement, save and except that the Company may issue ordinary shares for an aggregate amount up to HK\$75,000,000, none of the Company or its respective directors, officers, representatives, shareholders or agents shall enter into any arrangement, formal or informal, with any person except CMS and the Subscribers with respect to any potential investment in or financing of the Company from the date of the Second Framework Agreement to 6:00 p.m., 25 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

On 22 November 2013, the Company entered into a subscription agreement (the "Subscription Agreement") with CMS and the parties of the Guarantors (as defined in the Company's announcement dated 26 November 2013) in relation to the proposed issue of the secured convertible bonds (the "Convertible Bonds") by the Company at an aggregate principal amount of US\$25 million with a coupon rate at 3% per annum to CMS or CMS together with any person designated by it, and to be guaranteed by the Guarantors and Coqueen. The Convertible Bonds will be subscribed at a price equal to 100% of the principal amount of the Convertible Bonds.

Based on the initial conversion price of HK\$0.56 per conversion share assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 346,062,500 conversion shares. The initial conversion price shall be subject to adjustment from time to time in accordance with the terms of the Convertible Bonds.

The conversion shares will be allotted and issued pursuant to the specific mandate to be granted to the Directors at an extraordinary general meeting of the Company to be convened (the "EGM"). The conversion shares will rank *pari passu* in all respects with the existing ordinary shares of the Company in issue. The estimated net proceeds from the issue of the Convertible Bonds will be approximately HK\$183,465,000, representing a net conversion price of approximately HK\$0.53 per conversion share.

The subscription of the Convertible Bonds by CMS pursuant to the Subscription Agreement is conditional upon, among other things, (i) the approval from the shareholders of the Company at the EGM; and (ii) the listing committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the conversion shares.

A circular containing, among other things, further details of the Subscription Agreement, the subscription, the grant of the specific mandate together with the notice of the EGM will be despatched to the shareholders of the Company as soon as practicable in accordance with the GEM Listing Rules.

For details, please refer to the announcements of the Company dated 7 June 2013, 6 July 2013, 5 November 2013 and 26 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing agreement in relation to the placing of non-listed warrants under general mandate

The Company entered into a placing agreement, a supplemental placing agreement and a second supplemental placing agreement on 24 October 2013, 31 October 2013 and 14 November 2013 with FT Securities Limited (the “Placing Agent”) respectively, pursuant to which the Placing Agent conditionally agreed to place, on a fully underwritten basis, 103,000,000 unlisted warrant of the Company (the “Warrant(s)”) to not less than six independent placees at the issue price of HK\$0.01 per Warrant (the “Placing”). The subscription price is HK\$0.70 (subject to adjustments) per subscription share. The subscription right will be exercisable during a period of 12 months from the date of issue of the Warrants. The Placing was completed on 14 November 2013.

For details, please refer to the announcements of the Company dated 25 October 2013, 31 October 2013 and 14 November 2013.

EMPLOYEES AND REMUNERATION POLICIES

At 31 October 2013, the Group employed a total of 91 employees as compared with 73 employees in the last corresponding period. Staff costs for the Reporting Period, including Directors’ emoluments, were approximately HK\$10,366,000 (six months ended 31 October 2012: approximately HK\$8,512,000).

The Group decided the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group’s performance as well as individual contribution.

CHARGE ON GROUP’S ASSETS

As at 31 October 2013, certain assets with fair value of approximately HK\$354,502,000 were pledged to a lender to secure a loan facility of HK\$300,000,000 (as at 30 April 2013: Nil).

CAPITAL COMMITMENTS

As at 31 October 2013, the Group did not have any significant capital commitment (30 April 2013: approximately HK\$769,000).

CONTINGENT LIABILITIES

As at 31 October 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. For details, please refer to “Litigation” section under the heading of “Other Information” of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group was completed the disposal of the entire issued share capital of Welford International Industrial Limited and the loan of HK\$22,641,158.26 at the total consideration of HK\$30,000,000 on 30 July 2013. For details, please refer to the announcement of the Company dated 2 July 2013.

Save as disclosed above, the Group does not have any material acquisition and disposal of subsidiaries and affiliated companies for the six months ended 31 October 2013.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Up to the date of this report, the Earnest Deposit has not yet been fully repaid.

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

On 23 January 2013, the Company, Rich Paragon, Coqueen, the SPV, Mr. Chui Pui Kun and Mr. Chui Tak Keung, Duncan (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 Rich Paragon 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), Rich Paragon shall, after completion of the FLM HK Restructuring (as defined in the announcement of the Company dated 18 October 2013), the FLM Kowloon Restructuring (as defined in the announcement of the Company dated 18 October 2013) 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 the People's Republic of China (the "PRC"), carry out and complete the Revised Further Transaction by acquiring from Coqueen.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Third Framework Agreement, Rich Paragon 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 Rich Paragon’s written demand issued at any time after (i) 24 May 2013, or (ii) Rich Paragon’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.

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 (國福樓)

One of the current key business of the Group is the catering business and the Group is currently operating Guo Fu Lou (國福樓), a renowned Michelin One Star restaurant tailored to provide premium Chinese banqueting services for corporate and family gatherings as part of its development in the industry. The Group has also been expanding its catering business with an ongoing vision to develop further in the local market and is expected to continue to explore and research into any other business opportunities in relation to catering businesses.

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 development potential of the local high-end catering industry, (iii) the growing aggregate profit margin of FLM HK and FLM Kowloon (collectively, the “FLM Group”); (iv) the synergy with the existing business of the Group; (v) the favourable dividend policy as set out in the Shareholders’ Agreement; and (vi) the persistent performance of the FLM Group in the past years, its resilience to volatility and structural changes together with its strong potential to bring in new opportunities for expanding the Group’s catering businesses, the Directors are of the view that the Conversion and the terms of the Shareholders’ Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. After completion of the Subscription, the Group is focusing on business development of FLM Group and intends to maintain the operations of all the existing business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, the FLM Group will continue to strengthen its presence in the local and regional catering industry. With the focus of operating high-end Chinese restaurants, the FLM Group is looking to explore and expand into the markets of Macau, Mainland China and Singapore alongside the growing high end market in the above regions. The FLM Group believes that with their long standing industry experience in the local market, they can further utilize their competitive edge and mark a success in the potential new markets.

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 recent success of FLM Group's moon cake products has assured the management of the FLM Group and the Company of the synergy effect between the branded food and its high-end catering services. The Company intends to build upon this opportunity and further develop branded food and/or gift business strategically in the future while strengthening its core operations. 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 (the "Judgment").

Joyful Grace has lodged an appeal against the Judgment and the appeal was heard on 2 December 2013. The Judgment was reserved by the court at the end of the appeal hearing.

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.

Change of Financial Year End

The Company has changed its financial year end date from 30 April to 31 December with effect from the financial period ending 31 December 2013 for well preparation of financial reports and better coordination with respective professional parties as well as to align with the norm of the financial year end date in the market and the financial year end date of FLM HK and FLM Kowloon.

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

As at 31 October 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 October 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)	
Ms. Yeung Sau Han Agnes ("Ms. Agnes Yeung")	Interest of spouse	45,552,250 Shares* (Note 6)	8.79%
China Merchants Securities (HK) Co., Limited ("CMS (HK)")	Beneficial owner	176,395,454 Underlying Shares* (Note 7)	34.02%
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	176,395,454 Underlying Shares* (Note 7)	34.02%
China Merchants Securities Company Limited ("CMS")	Interest through controlled corporation	176,395,454 Underlying Shares* (Note 7)	34.02%

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)
FT Securities Limited ("FT Securities")	Beneficial owner	103,000,000 Underlying Shares* (Note 8)	19.87%
The Incorporation of Financial Technicians Limited ("Financial Technicians")	Interest through controlled corporation	103,000,000 Underlying Shares* (Note 8)	19.87%
Mr. Tang Anthony Mong Fai	Beneficial owner	99,996,237 Shares*	19.29%
	Other	100,000,000 Underlying Shares#	19.29%

* Long Positions

Short Positions

Notes:

- As at 31 October 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.
- 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.
- 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.
- 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 that may be issued by the Company and are beneficially owned by CMS (HK) whose entire issued share capital is beneficially owned by CMS International which in turn is wholly owned by CMS. By virtue of the SFO, each of CMS and CMS International is deemed to be interested in the underlying Shares held by CMS (HK).
- These underlying Shares represent a maximum of 103,000,000 new Shares that may be issued to satisfy the conversion rights attached to the warrants issued by the Company and were beneficially owned by FT Securities whose entire issued share capital is beneficially owned by Financial Technicians. By virtue of the SFO, Financial Technicians was deemed to be interested in the underlying shares held by FT Securities.

OTHER INFORMATION

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 October 2013 which required to be recorded pursuant to Section 336 of SFO.

Share Option Scheme

The existing share option scheme of the Company adopted on 10 June 2003 (the "Existing Share Option Scheme") has been expired on 10 June 2013. A new share option scheme was adopted on 31 October 2013 after the expiry of the Existing Share Option Scheme (the "New Share Option Scheme"). During the Reporting Period, no option was granted, exercised, cancelled or lapsed under both Existing Share Option Scheme and New Share Option Scheme.

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 D.1.4

This code provision stipulates that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments, while not all of the Directors had entered into service contract or appointment letter with the Company. In November 2013, the Company entered into appointment letters with all of the existing Directors setting out the key terms and conditions of their appointments respectively. Hence, the requirement under this code provision was fulfilled since then.

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

OTHER INFORMATION

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 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive Directors were not appointed for a specific term. In November 2013, the Company entered into appointment letters with all of the existing independent non-executive Directors respectively with a specific term of one year. Hence, the requirement under this code provision was fulfilled since then.

Code Provision A.6.7

This code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive directors and one independent non-executive director of the Company were absent from an extraordinary general meeting and the last annual general meeting of the Company held on 10 June 2013 and 31 October 2013 respectively due to their other important business engagements.

Rules 5.05(1) and 5.28 of the GEM Listing Rules

Under the Rule 5.05(1) of the GEM Listing Rules, it provides that every board of directors of a listed issuer must include at least three independent non-executive directors. Under Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of three members. Subsequent to the resignation of Mr. Orr Joseph Wai Shing on 26 September 2013, the number of independent non-executive Directors and audit committee members had fallen below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcement containing the relevant details and reasons for the Company's failure to meet the requirements. Subsequently, the Company appointed Mr. Mok Tsan San as an independent non-executive Director and a member of the audit committee of the Company (the "Audit Committee") with effect from 1 December 2013. Hence, the requirements under Rules 5.05 (1) and 5.28 of the GEM Listing Rules were fulfilled since then.

OTHER INFORMATION

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. The Audit Committee currently consists of three independent non-executive Directors. The chairman of the Audit Committee is Mr. Matthew Pau, who has appropriate professional qualifications and experience in accounting matters.

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 interim results for the six months ended 31 October 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, 9 December 2013

As at the date of this report, Ms. Yu Sau Lai, Mr. Lam Raymond Shiu Cheung and Mr. Hu Dongguang are executive Directors; and Mr. Matthew Pau, Mr. Mok Tsan San and Mr. Yeung Wai Hung, Peter are independent non-executive Directors.

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yu Sau Lai

Mr. Lam Raymond Shiu Cheung

Mr. Hu Dongguang

Independent Non-Executive Directors

Mr. Matthew Pau

Mr. Mok Tsan San

Mr. Yeung Wai Hung, Peter

COMPANY SECRETARY

Ms. Yip Zodia Wang

COMPLIANCE OFFICER

Ms. Yu Sau Lai

AUDIT COMMITTEE

Mr. Matthew Pau (*Chairman*)

Mr. Mok Tsan San

Mr. Yeung Wai Hung, Peter

REMUNERATION COMMITTEE

Mr. Yeung Wai Hung, Peter (*Chairman*)

Mr. Matthew Pau

Mr. Mok Tsan San

NOMINATION COMMITTEE

Mr. Yeung Wai Hung, Peter (*Chairman*)

Mr. Matthew Pau

Mr. Mok Tsan San

AUDITORS

ZHONGLEI (HK) CPA Company Limited

REGISTERED OFFICE

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Grand Cayman KY1-1111

Cayman Islands

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Hunghom

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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

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STOCK CODE

8272