



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

THIRD QUARTERLY REPORT 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 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 nine months ended 30 September 2014. The accounting period end date of the Group was changed from 30 April to 31 December. The unaudited restated third quarterly result for the nine months ended 30 September 2013 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	14,370	12,121	39,012	32,887
Revenue	3	14,370	10,092	34,986	30,858
Cost of sales		(12,511)	(9,478)	(34,616)	(26,830)
Gross profit		1,859	614	370	4,028
Other operating income		867	1,441	3,443	3,352
Written-off in respect of inventories		(375)	–	(375)	–
Loss on disposal of subsidiary		–	–	(34)	–
(Loss) gain on disposal of held-for-trading investments		–	158	(418)	743
Loss on redemption of convertible instruments		–	(1,599)	–	(1,599)
Reversal of impairment loss in respect of loan receivables		–	–	600	–
Reversal of impairment loss in respect of other receivables		–	–	–	(30)
Change in fair value of held-for-trading investments		(2,509)	2,270	(15,331)	(1,996)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		1,749	(5,082)	(41,956)	37,041
Change in fair value of derivative financial assets		–	12,808	(14,180)	12,051
Share of results of joint ventures		(8)	–	(8)	–
Administrative expenses		(13,323)	(9,627)	(37,814)	(24,425)
Finance costs		(14,909)	(23,986)	(47,809)	(31,310)



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss before tax		(26,649)	(23,003)	(153,512)	(2,145)
Income tax expense	4	–	–	–	–
Loss for the period		(26,649)	(23,003)	(153,512)	(2,145)
(Loss) profit for the period attributable to:					
Owners of the Company		(26,846)	(23,496)	(153,668)	(2,331)
Non-controlling interest		197	493	156	186
		(26,649)	(23,003)	(153,512)	(2,145)
		HK cents	HK cents	HK cents	HK cents
Loss per share					
– basic and diluted	6	(5.08)	(4.62)	(29.08)	(0.51)



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss for the period	(26,649)	(23,003)	(153,512)	(2,145)
Total comprehensive expenses for the period	(26,649)	(23,003)	(153,512)	(2,145)
Total comprehensive (expenses) income attributable to:				
Owners of the Company	(26,846)	(23,496)	(153,668)	(2,331)
Non-controlling interest	197	493	156	186
	(26,649)	(23,003)	(153,512)	(2,145)



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Attributable to owners of the Company						Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2013 (unaudited)	4,324	226,435	1,529	–	(147,556)	84,732	(2,623)	82,109
(Loss) profit for the period	–	–	–	–	(2,331)	(2,331)	186	(2,145)
Realisation of transaction reserve upon disposal of a subsidiary	–	–	(1,529)	–	1,529	–	–	–
Capital contributions from non-controlling interest of a subsidiary	–	–	–	–	–	–	600	600
Issued of shares upon conversion of convertible bonds	860	14,743	–	–	–	15,603	–	15,603
At 30 September 2013 (unaudited)	5,184	241,178	–	–	(148,358)	98,004	(1,837)	96,167
At 1 January 2014 (audited)	5,284	248,175	–	893	(160,153)	94,199	(1,153)	93,046
(Loss) profit for the period	–	–	–	–	(153,668)	(153,668)	156	(153,512)
At 30 September 2014 (unaudited)	5,284	248,175	–	893	(313,821)	(59,469)	(997)	(60,466)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

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 nine months ended 30 September 2014 are consistent with those applied in the preparation of the Group's consolidated financial statements for the eight months ended 31 December 2013.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

3. TURNOVER AND REVENUE

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

The following is an analysis of the Group's turnover and revenue:

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover				
Chinese restaurant operation	10,173	7,504	28,846	28,270
Food manufacturing	4,197	2,588	6,140	2,588
Gross proceeds from disposal of held-for-trading investment	–	2,029	4,026	2,029
	14,370	12,121	39,012	32,887
Revenue				
Chinese restaurant operation	10,173	7,504	28,846	28,270
Food manufacturing	4,197	2,588	6,140	2,588
	14,370	10,092	34,986	30,858

For the nine months ended 30 September 2014, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (nine months ended 30 September 2013: all in Hong Kong) and accordingly, no further analysis of the Group's geographical information is disclosed.

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 or tax of other jurisdictions has been made as the Group did not have any assessable profit for the nine months ended 30 September 2014 and 30 September 2013.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

5. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: nil).

6. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(26,846)	(23,496)	(153,668)	(2,331)
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares in issue	528,360	509,069	528,360	458,294
	HK cents	HK cents	HK cents	HK cents
Basic and diluted loss per share	(5.08)	(4.62)	(29.08)	(0.51)

Diluted loss per share is the same as basic loss per share as the Group sustained a loss for the periods ended 30 September 2014 and 30 September 2013. Diluted loss per share was not presented as the potential shares arising from the exercise of the Company's non-listed warrants would decrease the loss for the periods which is regarded as anti-dilutive.

7. COMPARATIVE FIGURES

The Company has changed its financial year end from 30 April to 31 December in 2013. The results for the three months and nine months ended 30 September 2013 are used as comparative figures for these third quarterly results.



BUSINESS REVIEW AND FINANCIAL REVIEW

The accounting period end date of the Group was changed from 30 April to 31 December. The unaudited third quarterly results for the nine months ended 30 September 2013 (the “last corresponding period”) were used as corresponding comparative figures.

Turnover

During the nine months ended 30 September 2014 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$39,012,000, approximately representing a 19% increase as compared with the last corresponding period. The increase was mainly contributed by the food manufacturing business and gross proceeds from disposal of held-for-trading investments.

Loss for the period

The Group recorded a loss of approximately HK\$153,512,000 for the Reporting Period, as compared with a loss of approximately HK\$2,145,000 of the last corresponding period. The loss for the Reporting Period was mainly attributable to loss in change in fair value of held-for-trading investments, loss on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss, loss on change in fair value of derivative financial assets, increasing in administrative expenses and finance costs.

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\$28,846,000 (nine months ended 30 September 2013: approximately HK\$28,270,000), representing an increase of approximately 2% 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 in May 2013 and launched the food manufacturing business in August 2013. The segmental turnover of the food manufacturing business for the Reporting Period was approximately HK\$6,140,000 (nine months ended 30 September 2013: HK\$2,588,000).



MANAGEMENT DISCUSSION AND ANALYSIS

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 loss on change in fair value of held-for-trading investments of approximately HK\$15,331,000 (nine months ended 30 September 2013: a loss of HK\$1,996,000), loss on change in fair value of derivative financial assets of approximately HK\$14,180,000 (nine months ended 30 September 2013: gain of HK\$12,051,000) and loss on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$41,956,000 (nine months ended 30 September 2013: gain of HK\$37,041,000) which decrease from the convertible bonds of the holding company of Fook Lam Moon restaurants in the principal amount of HK\$200,000,000.

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the Reporting Period. As at 30 September 2014, the Company's issued share capital was HK\$5,283,600 and the number of its issued ordinary shares was 528,360,000 shares of HK\$0.01 each (the "Shares") and has 93,000,000 (31 December 2013: 93,000,000) unlisted warrants outstanding.

SIGNIFICANT INVESTMENTS

At 30 September 2014, 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 ("FLM HK") and Fook Lam Moon (Kowloon) Restaurant Limited ("FLM Kowloon") amounted to HK\$20,000,000 (as at 31 December 2013: HK\$20,000,000), loan receivables amounted to approximate of HK\$15,018,000 (as at 31 December 2013: HK\$86,498,000), convertible instruments designated as financial assets at fair value through profit or loss approximately HK\$232,535,000 (as at 31 December 2013: approximately HK\$274,491,000), derivative financial assets: nil (as at 31 December 2013: approximately HK\$15,180,000) and held-for-trading investments amounted to approximately HK\$28,583,000 (as at 31 December 2013: approximately HK\$48,358,000).



MANAGEMENT DISCUSSION AND ANALYSIS

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"**) (the **"Fook Lam Moon"** project).

Rich Paragon Limited (**"Rich Paragon"**, an indirectly wholly-owned subsidiary of the Company), as the purchaser, was the holder of the SPV convertible bonds issued under the SPV Convertible Bonds Subscription Agreement on 4 June 2013. Exercise of conversion rights attached to the SPV convertible bonds was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 September 2014.

The exercise of the conversion rights attached to the SPV convertible bonds took place on 10 October 2014 (the **"Conversion"**).

Upon completion of the Conversion, a total of 10,000 new SPV conversion shares were issued to Rich Paragon, representing 50% of the issued share capital of the SPV as enlarged by the Conversion. Pursuant to the Convertible Bonds Subscription Agreement, Rich Paragon executed a shareholders' agreement with Coqueen on 10 October 2014 (the **"Shareholders' Agreement"**).

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, 16 December 2013, 28 January 2014, 28 February 2014, 28 March 2014, 28 April 2014, 30 May 2014, 30 June 2014, 6 August 2014, 15 August 2014, 18 September 2014 and the circular of the Company dated 20 April 2013 and 29 August 2014 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 FLM HK and 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\$291,118,000 (as at 31 December 2013: approximately HK\$301,827,000) including the bank balances and cash of approximately HK\$2,525,000 (as at 31 December 2013: approximately HK\$21,909,000).

As at 30 September 2014, the Group had other borrowings amounted to approximately HK\$358,500,000 (31 December 2013: HK\$311,300,000) and obligation under finance lease of approximately HK\$1,512,000 (31 December 2013: approximately HK\$60,000). The gearing ratio, computed as total liabilities to total assets, is 1.18 at the end of the Reporting Period (31 December 2013: 0.81).

FUND RAISING ACTIVITIES

Proposed issue of convertible bonds

On 22 November 2013, the Company entered into a subscription agreement (the “Subscription Agreement”) with China Merchants Securities Investment Management (HK) Co., Limited (“CMS”) and the parties of the Guarantors (as defined in the announcement of the Company dated 1 April 2014) in relation to the proposed issue of secured convertible bonds by the Company at an aggregate principal amount of US\$25 million with a coupon rate of 3% per annum to CMS or CMS together with any Person (as defined in the announcement of the Company dated 1 April 2014) designated by it, and to be guaranteed by the Guarantors and Coqueen. On 27 January 2014, the Company, China Merchants Securities (HK) Co., Ltd. (“CMS HK”) and Coqueen entered into a memorandum of understanding (the “MOU”) in relation to the proposed amendments to the Subscription Agreement and the instrument of the convertible bonds contemplated thereunder.

On 31 March 2014, the Company entered into a second subscription agreement (the “Second Subscription Agreement”) with CMS, Mr. Tang Anthony Mong Fai (“Mr. Tang”) and the parties of the Guarantors in view of the proposed terms under the MOU, in consideration of the mutual promises, representations, warranties, covenants and conditions in the Second Subscription Agreement, and to replace the Subscription Agreement, which will cease to have effect upon entry of the Second Subscription Agreement. Pursuant to the Second Subscription Agreement, the Company shall issue the guaranteed secured convertible bonds at an aggregate principal amount of US\$37.5



MANAGEMENT DISCUSSION AND ANALYSIS

million with a coupon rate of 3% per annum (the “Convertible Bonds”) to Mr. Tang, CMS, and/or any such person designated by CMS, and to be guaranteed by the Guarantors and Coqueen. The Convertible Bonds shall be subscribed by Mr. Tang and CMS (or CMS together with any person designated by it) at the principal amount of US\$12,500,000 and US\$25,000,000, respectively, and at an aggregate price equal to 100% of the principal amount of the Convertible Bonds.

Assuming full conversion of the Convertible Bonds at the conversion price of HK\$0.56 per conversion share and the fixed exchange rate of US\$1 to HK\$7.7644, the Convertible Bonds are convertible into 519,937,500 conversion shares. The conversion price shall be subject to adjustment from time to time in accordance with the bond instrument set out in a schedule of the Second Subscription Agreement in relation to the Convertible Bonds (the “Bond Instrument”).

The Guarantors have, on a joint and several basis, unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Company under the Convertible Bonds and the performance of all obligations of the Company under the transaction documents including but not limited to the Second Subscription Agreement and the Bond Instrument. Coqueen has unconditionally and irrevocably guaranteed the due and punctual payment of all or any sums (whether principal, interest, fees or otherwise) which are or at any time may become due and payable by the Company under 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 (the “EGM”). The conversion shares will rank *pari passu* in all respects with the existing Shares in issue. The estimated net proceeds from the issue of the Convertible Bonds will be approximately HK\$280.7 million, representing a net conversion price of approximately HK\$0.54 per conversion share.

The above transaction was approved at the EGM held on 18 September 2014 and the Company would inform the shareholders of the Company on the status of the above as and when appropriate.

For details, please refer to the announcements of the Company dated 7 June 2013, 26 November 2013, 27 January 2014, 1 April 2014, 25 April 2014, 27 May 2014, 30 June 2014, 30 July 2014, 29 August 2014, 18 September 2014 and the circular of the Company dated 2 September 2014 respectively.



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.

CHARGE ON GROUP'S ASSETS

As at 30 September 2014, certain assets with fair value of approximately HK\$327,713,000 (as at 31 December 2013: HK\$384,616,000) were pledged to a lender to secure a loan facility of HK\$300,000,000 (as at 31 December 2013: HK\$300,000,000).

CAPITAL COMMITMENTS

As at 30 September 2014, the Group did not have any significant capital commitment (as at 31 December 2013: Nil).

CONTINGENT LIABILITIES

As at 30 September 2014, the Group had contingent liability of approximately HK\$8,500,000 in respect of guarantee for the amount due by a joint venture to a third party (as at 31 December 2013: approximately HK\$1,010,000 arising from the claim by a third party).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this Report, the Group did not have any other material acquisition and disposal of subsidiaries and affiliated companies for the nine months ended 30 September 2014.

INVESTMENTS IN JOINT VENTURES

The Group holds 50% of the issued share capital in Great Way Investment Limited ("Great Way") and Leading Win Development Limited ("Leading Win"). The remaining 50% of the issued share capital of Great Way and Leading Win are held by Coqueen. Both of Great Way and Leading Win were incorporated in the British Virgin Islands with limited liability and are investment holding companies.

As at the date of this Report, Great Way acquired 14% equity interest in FLM Kowloon, and Leading Win acquired 10.74% equity interest in FLM HK.



ADVANCE TO ENTITY

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

Details of advance to entity in the amount of HK\$44,000,000 paid to Key Ally Limited were set out under the section of “Advance to Entity” on pages 13 to 14 of the Company’s first quarterly report for the three months ended 31 March 2014. The directors considered that the likelihood of recovery of the outstanding principal and accrued interest amount was very remote and the impairment loss of loan receivables of HK\$28,225,000 was recognized during the eight months ended 31 December 2013. After that just before the end of March 2014, the Group received a further sum of HK\$600,000 from the Proposed Vendor. The Group will proceed to recover the outstanding amount in reliance on legal advice.

(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 (collectively, 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.



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**”). On 6 August 2014, the Parties entered into the supplemental framework agreement to revise and supplement the Third Framework Agreement by extending the Relevant Period and the time of execution of the Further Formal Agreement from on or before 30 June 2014 to on or before 31 December 2014.

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 announcements of the Company dated 24 April 2013 and 6 August 2014.

SUBSEQUENT EVENT

On 10 October 2014, the Company entered into a sale and purchase agreement in relation to, among others, the acquisition of the remaining 50% equity interests in SPV, which may constitute a very substantial acquisition and connected transaction of the Company.

An announcement setting out, among other things, details of the above matters will be published as and when appropriate.

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.

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

During the year of 2013, the Group had set up a food manufacturing plant in Hong Kong for the development of branded bakery, cooked and packaged food business. The recent success of FLM Group’s moon cake and Chinese new year cake products has assured the management of the FLM Group and the Group of the synergy effect between the branded food and its high-end catering services. The Group 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 performance of the Group.



Joint Venture Agreement and Trade Mark Licence Agreement of FLM Macau Holdings

On 17 September 2014, Elite Trade Global Limited, a wholly owned subsidiary of the Galaxy Entertainment Group Limited (a company whose issued shares are listed on Main Board (stock code: 27) and all of its subsidiaries and affiliates but excluding Fook Lam Moon Macau Holdings Limited (the “Galaxy Group”), FLM Macau Ventures Limited (a wholly owned subsidiary of the SPV), and FLM Macau Holdings Limited (the “FLM Macau Holdings”) entered into the joint venture agreement regulating the formation of a joint venture through FLM Macau Holdings in connection with the operation of a high-end luxurious Chinese restaurant under the trading name of “福臨門/Fook Lam Moon” to be located at a shop at the integrated resort at Avenida Marginal Flor de Lotus, in COTAI, Macau, owned and operated by Galaxy Group and is expected to commence operation in 2015.

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



OTHER INFORMATION

Litigations

Details of litigations for the nine months ended 30 September 2014 were set out under the section of "Litigations" on page 11 of the Company's annual report for the eight months ended 31 December 2013.

The Company will disclose any Megamillion Asia Limited's recovery action wherever appropriate or necessary.

Save as disclosed above, the Group has no other litigations as at the date of this Report.

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 30 September 2014, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares and underlying shares of HK\$0.01 each in the capital of the Company (the "Shares")

Name of Director	Nature of interests/ holding capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interests in the Company's issued share capital
Mr. Yeung Wai Hung, Peter	Personal	275,000	–	275,000	0.05%

Save as disclosed above, as at 30 September 2014, none of the Directors and the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO), as recorded in the register required to be kept under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.



OTHER INFORMATION

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

Save as disclosed under section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, as at 30 September 2014, neither the Company nor any of its subsidiaries was a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, or there have, at any time during the nine months ended 30 September 2014, subsisted such arrangement(s) as aforesaid and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

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

As at 30 September 2014, 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)	19.28%
Ms. Chan Yuen Fan Winky ("Ms. Winky Chan")	Interest through controlled corporation	101,909,990 Shares* (Note 2)	19.28%
China Merchants Securities Investment Management (HK) Co., Limited ("CMS")	Beneficial owner	346,625,000 Underlying Shares* (Note 3)	65.60%
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	346,625,000 Underlying Shares* (Note 3)	65.60%



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 Company Limited	Interest through controlled corporation	346,625,000 Underlying Shares* (Note 3)	65.60%
Mr. Tang Anthony Mong Fai ("Mr. Tang")	Beneficial owner	79,996,237 Shares*	15.14%
	Other	100,000,000 Underlying Shares#	18.92%
Major Ally Investments Limited ("Major Ally")	Beneficial owner	43,000,000 Shares* (Note 4)	8.13%
Fook Lam Moon Holdings Limited ("FLM Holdings")	Interest through controlled corporation	43,000,000 Shares* (Note 4)	8.13%
Mr. Chui Pui Kun ("Mr. CPK")	Interest through controlled corporation	43,000,000 Shares* (Note 5)	8.13%
Mrs. Chui Chan Oi Lin Eileen ("Mrs. Eileen Chui")	Interest of spouse	43,000,000 Shares* (Note 6)	8.13%
Mr. So Chi Ming ("Mr. SCM")	Beneficial owner	9,012,250 Shares*	9.84%
	Interest through controlled corporation	43,000,000 Shares* (Note 4)	



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	52,012,250 Shares* (Note 7)	9.84%
CGI (HK) Limited ("CGI HK")	Beneficial owner	42,860,000 Shares* (Note 8)	8.11%
CGI (Offshore) Limited ("CGI Offshore")	Interest through controlled corporation	42,860,000 Shares* (Note 8)	8.11%
Chinese Global Investors Group Limited ("CGI Group")	Interest through controlled corporation	42,860,000 Shares* (Note 8)	8.11%

* Long Positions

Short Positions

Notes:

- As at 30 September 2014, the Company's issued ordinary share capital was HK\$5,283,600 divided into 528,360,000 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.

At the extraordinary general meeting of the Company held on 3 April 2013, proposals were put forward to the shareholders of the Company to consider, among other things, every ten issued and unissued shares of HK\$0.001 each in the share capital of the Company being consolidated into one share of HK\$0.01 in the share capital of the Company have been approved by the shareholders of the Company and came into effect on 5 April 2013.



OTHER INFORMATION

3. These underlying Shares represent a maximum of 346,625,000 new Shares that may be issued pursuant to the second subscription agreement dated 31 March 2014 entered into between the Company, CMS, Mr. Tang and the Guarantors (defined in the announcement of the Company dated 1 April 2014) relating to the proposed issue of the secured convertible bonds by the Company at an aggregate principal amount of US\$37.5 million with the initial conversion price of HK\$0.56 per conversion share, details of which are set out in the announcement of the Company dated 1 April 2014, and in which are beneficially owned by CMS whose entire issued share capital is beneficially owned by CMS International which in turn is wholly owned by China Merchants Securities Company Limited. By virtue of the SFO, each of China Merchants Securities Company Limited and CMS International is deemed to be interested in the underlying Shares held by CMS.
4. 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.
5. 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 4 above.
6. 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 5 above.
7. 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 9,012,250 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 4 above.
8. These Shares are beneficially owned by CGI HK, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by CGI Offshore which in turn is wholly owned by CGI Group. By virtue of the SFO, each of CGI Offshore and CGI Group is deemed to be interested in the Shares held by CGI HK.

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 30 September 2014 which is required to be recorded pursuant to Section 336 of SFO.



OTHER INFORMATION

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. As at the date of this Report, the Audit Committee had three members comprising all the three independent non-executive Directors; namely, Mr. Matthew Pau (the chairman of the Audit Committee), Mr. Yeung Wai Hung, Peter and Mr. Chu Yu Man, Philip (Mr. Leung Ho Lun Harold as his alternate).

The unaudited third quarterly results for the nine months ended 30 September 2014 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

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, 13 November 2014

As at the date of this Report, Ms. Yu Sau Lai, Mr. Lam Raymond Shiu Cheung, Mr. Hu Dongguang and Mr. Mok Tsan San are executive Directors; Mr. So David Tat Man is a non-executive Director; and Mr. Matthew Pau, Mr. Yeung Wai Hung, Peter and Mr. Chu Yu Man, Philip (Mr. Leung Ho Lun Harold as his alternate) are independent non-executive Directors.