



2015

FIRST QUARTERLY REPORT



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

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 three months ended 31 March 2015. The unaudited first quarterly results for the three months ended 31 March 2014 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2015

	Notes	Three months ended 31 March 2015 (Unaudited) HK\$'000	31 March 2014 (Unaudited) HK\$'000
Turnover	3	30,590	15,683
Revenue	3	17,040	11,657
Cost of sales		(15,354)	(11,362)
Gross profit		1,686	295
Other operating income		129	1,157
Written-off in respect of inventories		(264)	–
Profit (loss) on disposal of held-for-trading investment		507	(418)
Loss on disposal of subsidiary		–	(34)
Reversal of impairment loss in respect of loan receivables		–	600
Change in fair value of held-for-trading investments		2,628	(8,078)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		–	13,252
Change in fair value of derivative financial assets		–	690
Change in fair value of the derivative components of convertible bonds		3,533	–
Administrative expenses		(13,358)	(13,690)
Finance costs		(13,083)	(18,033)
Share of profit of joint ventures		3,371	–
Loss before tax		(14,851)	(24,259)
Income tax expense	4	–	–
Loss for the period		(14,851)	(24,259)
Loss for the period attributable to:			
Owners of the Company		(14,656)	(24,174)
Non-controlling interest		(195)	(85)
		(14,851)	(24,259)
Loss per share – basic and diluted	6	HK cents (2.77)	HK cents (4.58)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Three months ended 31 March 2015 (Unaudited) HK\$'000	31 March 2014 (Unaudited) HK\$'000
Loss for the period	(14,851)	(24,259)
Total comprehensive expenses for the period	(14,851)	(24,259)
Total comprehensive expenses for the period attributable to:		
Owners of the Company	(14,656)	(24,174)
Non-controlling interest	(195)	(85)
	(14,851)	(24,259)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to owners of the Company					Non-controlling interest	Total
	Share capital HK\$'000	Share premium HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (audited)	5,284	248,175	893	(160,153)	94,199	(1,153)	93,046
Loss for the period	-	-	-	(24,174)	(24,174)	(85)	(24,259)
At 31 March 2014 (unaudited)	5,284	248,175	893	(184,327)	70,025	(1,238)	68,787
At 1 January 2015 (audited)	5,284	248,175	-	(339,740)	(86,281)	(1,464)	(87,745)
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	84	84
Loss for the period	-	-	-	(14,656)	(14,656)	(195)	(14,851)
At 31 March 2015 (unaudited)	5,284	248,175	-	(354,396)	(100,937)	(1,575)	(102,512)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares 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 4/F, Phase 1, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong. The principal activity of the Company is investment holding.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB. In addition, the Group's unaudited quarterly financial statements include applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the value of the consideration given in exchange for goods.

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the three months ended 31 March 2015 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2015

3. TURNOVER AND REVENUE

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

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

	Three months ended	
	31 March 2015 (Unaudited) HK\$'000	31 March 2014 (Unaudited) HK\$'000
Turnover		
Catering business	12,229	10,116
Food manufacturing	4,811	1,541
Gross proceeds from disposal of held-for-trading investments	13,550	4,026
	30,590	15,683
Revenue		
Catering business	12,229	10,116
Food manufacturing	4,811	1,541
	17,040	11,657

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 other jurisdictions has been made as the Group did not have any assessable profits for the three months ended 31 March 2015 and 31 March 2014.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2015

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	
	31 March 2015 (Unaudited) HK\$'000	31 March 2014 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(14,656)	(24,174)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	528,360	528,360
Basic and diluted loss per share	HK(2.77) cents	HK(4.58) cents

The computation of the diluted loss per share for the three months ended 31 March 2015 does not assume the conversion of the Company's outstanding convertible bonds since the exercise would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

The computation of the diluted loss per share for the three months ended 31 March 2014 does not assume the exercise of the Company's non-listed warrants because the respective exercise prices of the Company's non-listed warrants were higher than the average market price of the shares of the Company during the three months ended 31 March 2014.

7. COMPARATIVE FIGURES

Certain comparative figures for the corresponding period set out in this report have been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

Turnover

During the three months ended 31 March 2015 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$30,590,000 (three months ended 31 March 2014: approximately HK\$15,683,000), representing an increase of approximately 95% as compared with the last corresponding period. The increase was mainly contributed by the food manufacturing and gross proceeds from disposal of held-for-trading investments.

Loss for the period

The Group recorded a loss of approximately HK\$14,851,000 for the Reporting Period, as compared with a loss of approximately HK\$24,259,000 of the last corresponding period. The decrease in loss for the Reporting Period was mainly attributable to increase in revenue and gross profit, decrease in finance cost, gain in change in fair value of held-for-trading investments, gain in change in fair value of the derivative components of convertible bonds and share of profit of joint ventures.

Catering Business

The segmental turnover of the catering business for the Reporting Period was approximately HK\$12,229,000 (three months ended 31 March 2014: approximately HK\$10,116,000), representing an increase of approximately 21% 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 segmental turnover of the food manufacturing business for the Reporting Period was approximately HK\$4,811,000 (three months ended 31 March 2014: HK\$1,541,000), representing an increase of approximately 212% as compared with the last corresponding period. The increase in this business was due to the development of sale and production for customers’ branded products.

Securities Investments

The gross proceeds on disposal of investment held-for-trading for the Reporting Period was approximately HK\$13,550,000 (three months ended 31 March 2014: approximately HK\$4,026,000), representing an increase of approximately 236% as compared with the last corresponding period.

During the Reporting Period, the Group recorded a gain on change in fair value of held-for-trading investments of approximately HK\$2,628,000 (three months ended 31 March 2014: loss of approximately HK\$8,078,000) and gain on change in fair value of derivative components of convertible bonds of approximately HK\$3,533,000 (three months ended 31 March 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the Reporting Period. As at 31 March 2015, 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 outstanding convertible bonds in the principal amount of US\$37,500,000.

SIGNIFICANT INVESTMENTS

As at 31 March 2015, 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 KLn") amounted to HK\$20,000,000 (as at 31 December 2014: HK\$20,000,000) and held-for-trading investments amounted to approximately HK\$19,988,000 (as at 31 December 2014: approximately HK\$29,183,000).

Acquisition of the remaining 50% equity interests in SPV, Great Way and Leading Win

Pursuant to the Third Framework Agreement (as defined in the below sub-section "Advance to Entity"), on 10 October 2014, Rich Paragon Limited ("Rich Paragon", an indirectly wholly-owned subsidiary of the Company) and the Company entered into a sale and purchase agreement (the "Coqueen Sale and Purchase Agreement") with Coqueen, Mr. Chui Pui Kun and Mr. Chui Tak Keung, Duncan in relation to the acquisition of (i) 10,000 ordinary shares in Professional Guide Enterprise Limited ("SPV"); (ii) 500 ordinary shares in Great Way Investing Company Limited ("Great Way"); and (iii) 500 ordinary shares in Leading Win Development Limited ("Leading Win"), which respectively represents 50% of the entire issued share capital in each of SPV, Great Way and Leading Win (the "Target Companies") (the "Proposed Transaction").

The consideration HK\$580,000,000 shall be settled and discharged by Rich Paragon and the Company at completion (save for (i) below) by: (i) HK\$20,000,000 paid by Rich Paragon as deposit (which was paid on 24 April 2013 as Framework Deposit as defined in the below sub-section "Advance to Entity"); (ii) HK\$409,000,000 shall be settled and discharged by the Company allotting and delivering in an aggregate of 1,410,344,827 Shares at HK\$0.29 each (the "Consideration Shares"), credited as fully paid, to Coqueen or its nominee; (iii) HK\$131,000,000 shall be settled and discharged by the Company issuing and delivering the zero coupon convertible bonds which upon full conversion 451,724,137 conversion shares will be issued at HK\$0.29 per share (the "Consideration CB") to Coqueen or its nominee; and (iv) the balance of HK\$20,000,000 shall be settled and discharged by the Company issuing and delivering a promissory note bearing an annual interest of 5% to Coqueen. The Consideration Shares and the conversion shares upon conversion of the Consideration CB will be allotted and issued under specific mandate to be granted to the Directors at an extraordinary general meeting of the Company ("EGM"). The Proposed Transaction constitutes a possible very substantial acquisition, reverse takeover involving a new listing application and connected transaction of the Company under the GEM Listing Rules. Upon completion of the Proposed Transaction, each of the Target Companies will become a wholly-owned subsidiary of the Company and their respective accounts will be consolidated into the accounts of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the issue of the Consideration Shares and the conversion shares upon full conversion of the Consideration CB, Coqueen and its parties acting in concert shall own 30% or more of the voting rights of the Company. Under Rule 26 of the Code on Takeovers and Mergers (the "Takeovers Code") published by the Securities and Futures Commission of Hong Kong (the "SFC"), the acquisition of the voting rights to 30% or more will trigger an obligation on vendor and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by them ("MGO Obligations"), unless a whitewash waiver pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code (the "Whitewash Waiver") is granted by the Executive Director of the Corporate Finance Division of the SFC to waive its MGO Obligations and is approved by the independent shareholders of the Company at an EGM by way of poll.

The Coqueen Sale and Purchase Agreement was supplemented by an addendum dated 13 March 2015 and a second addendum dated 30 April 2015. The Directors believe that the Proposed Transaction would facilitate the Group to take full control of SPV and its subsidiaries and create further synergy effect with existing catering business of the Group.

The Board would use its best endeavours to despatch a circular containing, among other things, further details on (i) the Coqueen Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Consideration CB; (ii) the grant of specific mandate; (iii) the Whitewash Waiver; and (iv) the notice of EGM.

For details, please refer to the announcements of the Company dated 24 April 2013, 6 August 2014 and 30 April 2015.

Proposed Termination Agreement

Reference is made to the exercise of the conversion rights attached to the SPV convertible bonds took place on 10 October 2014 and the shareholders' agreement executed on 10 October 2014 regulating the joint ownership of Coqueen and Rich Paragon in SPV (the "Shareholders' Agreement").

Pursuant to the Shareholders' Agreement, upon exercise of the put option (the "Put Option") by Coqueen, SPV is expected to become a wholly-owned subsidiary of the Company. On the other hand, upon exercise of the call option (the "Call Option") by Coqueen, SPV will cease to be a subsidiary of the Company. As at the date of this report, the Call Option and the Put Option have not been exercised.

MANAGEMENT DISCUSSION AND ANALYSIS

The completion of the Proposed Transaction will result in SPV becoming a wholly-owned subsidiary of the Company, thereby rendering the Shareholders' Agreement as well as the Put Option and Call Option therein contained obsolete. The Shareholders' Agreement shall be terminated with immediate effect upon the completion of the Proposed Transaction (the "Proposed Termination Agreement").

Pursuant to Proposed Termination Agreement, Coqueen and Rich Paragon shall not have any continuing liability under or in respect of the Shareholders' Agreement, and the Put Option and Call Option contemplated thereunder shall lapse automatically.

Given that Coqueen shall cease to be the shareholder of SPV upon completion of the Proposed Transaction, the Directors are of the view that terms of the Proposed Termination Agreement are fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

For details, please refer to the announcement of the Company dated 30 April 2015 and the circular of the Company dated 29 August 2014.

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 SPV and the provision of the SPV loan. The Reporting Period ended with the net current liabilities of approximately HK\$313,529,000 (as at 31 December 2014: approximately HK\$309,530,000) including the bank balances and cash of approximately HK\$2,385,000 (as at 31 December 2014: approximately HK\$2,857,000).

As at 31 March 2015, the Group had other borrowings amounted to approximately HK\$69,200,000 (31 December 2014: approximately HK\$69,200,000) and obligation under finance lease of approximately HK\$2,044,000 (31 December 2014: approximately HK\$1,674,000). The gearing ratio, computed as total liabilities to total assets is 1.29 at the end of the Reporting Period (31 December 2014: 1.26).

CHARGE ON GROUP'S ASSETS

As at 31 March 2015, certain assets with fair value of approximately HK\$274,986,000 (as at 31 December 2014: approximately HK\$272,780,000) were pledged for the convertible bonds in the principal amount of US\$37.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 March 2015, the Group had capital commitment contracted for but not provided in the consolidated financial statements in respect of acquisition of the remaining 50% equity interests in joint ventures of approximately HK\$580,000,000.

CONTINGENT LIABILITIES

As at 31 March 2015, the Group did not have any significant contingent liability.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this report, the Group did not have any other material acquisition and disposal of subsidiaries and affiliated companies for the three months ended 31 March 2015.

INVESTMENTS IN JOINT VENTURES

Each of SPV, Leading Win and Great Way is ultimately owned as to (i) 50% by the Company and (ii) 50% by Coqueen. These three companies are investment holding companies and jointly hold 100% equity interest of FLM HK and FLM Kln.

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. During the year ended 31 December 2014, the Group received a further sum of HK\$2,900,000 from Key Ally Limited. 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, 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 with SPV and its relevant parties on 18 December 2012, concerning the acquisition of a portion of Coqueen's entire shareholding in SPV from Coqueen by Rich Paragon pursuant to the Second Framework Agreement (the "Further Investment").

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Parties entered into the third framework agreement on 24 April 2013 (the “Third Framework Agreement”) in order 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 of the convertible bonds of SPV and the 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), carry out and complete the Revised Further Transaction, which involve the Subscriber Further Acquisitions (as defined in the announcement of the Company dated 24 April 2013).

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.

On 10 October 2014, Rich Paragon and the Company entered into the Coqueen Sale and Purchase Agreement (as supplemented by an addendum dated 13 March 2015 and a second addendum dated 30 April 2015) with Coqueen, Mr. Chui Pui Kun and Mr. Chui Tak Keung, Duncan. Pursuant to the Coqueen Sale and Purchase Agreement, the Framework Deposit paid to Coqueen by Rich Paragon shall be applied to settle part of the consideration. If any of the conditions precedent as stated in the announcement of the Company dated 30 April 2015 have not been fulfilled by 29 January 2016, the Coqueen Sale and Purchase Agreement shall automatically terminate and cease to be of any effect and the Framework Deposit shall be refunded by Coqueen to Rich Paragon within 10 business days of termination of the Coqueen Sale and Purchase Agreement.

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, 6 August 2014 and 30 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT AND OUTLOOK

The Group has been principally engaged in the local catering business. It is the Group's corporate strategy to explore other industries with good business potential and growth prospects, including but not limited to, the food and beverage industry in the PRC.

Guo Fu Lou (國福樓)

One of the current key businesses 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

Since the entering into the Subscription Agreement, the Company has been evaluating the operation results of SPV and its subsidiaries (the "SPV Group") and is positive about the future prospects of the SPV Group. With the focus of operating high-end Chinese restaurants serving high-quality Cantonese cuisine, the SPV Group has developed strong brand and customer loyalty, which contributed to the growing earnings. The financial results of the SPV Group for the two years ended 31 December 2013 and 2014 demonstrated positive development and, in the view of the Board, the SPV Group has maintained a satisfying business performance.

The SPV Group is also looking to explore and expand into the markets of Macau and PRC alongside the growing high end market in the above regions. A new Fook Lam Moon Chinese restaurant will be opened in Macau soon in this year. The SPV Group believes that with their long standing industry experience in the local market, this can further utilize its competitive edge and mark a success in the potential new markets, promote the brand name of "Fook Lam Moon" in the region and is expected to broaden the income base of the SPV Group.

The Directors believe that the Proposed Transaction would (i) further align the brand and earnings potential of the SPV Group with the Group's business strategy; (ii) bring possible enhancement of the corporate image of the Group due to the prominent brand equity of FLM HK and FLM Kln; and (iii) generate further synergy effect with the existing catering business.

MANAGEMENT DISCUSSION AND ANALYSIS

In consideration of (i) the Group's corporate strategy of exploring the feasibility of further expansion in catering businesses; (ii) the development potential of the local high-end catering industry; (iii) the positive and persistent performance of the companies of the SPV Group; (iv) the recent and future business development of the SPV Group; and (v) the synergy effect after consolidating the business of the SPV Group and the existing business of the Group, the Directors are of the view that the Proposed Transaction and the terms of the Coqueen Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Food manufacturing business

In 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 restaurants under the SPV Group launched festival food products since August 2013, which generates synergy effect between the branded food and its high-end catering services. Capitalised on the brand name of the "Fook Lam Moon" and "福臨門" trademarks, 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.

New Fook Lam Moon restaurant in Macau

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 of the Stock Exchange (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 SPV), and FLM Macau Holdings Limited ("FLM Macau Holdings") entered into a 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 owned and operated by Galaxy Group at Avenida Marginal Flor de Lotus, in COTAI Macau, and is expected to commence operation soon.

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 three months ended 31 March 2015 were set out under the section of "Litigations" on page 11 of the Company's annual report for the year ended 31 December 2014 (the "2014 Annual Report"). Capitalised terms used herein shall have the same meanings as those defined in the 2014 Annual Report unless the context otherwise requires.

Subject to legal advice and pending ascertainment that Cheong Tat has assets available for execution, Megamillion will proceed to recover the Redemption Amount.

The Company will disclose any Megamillion'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 31 March 2015, 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

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

OTHER INFORMATION

Save as disclosed above, as at 31 March 2015, 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.

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 31 March 2015, 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 three months ended 31 March 2015, subsisted such arrangement(s) as aforesaid and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

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

As at 31 March 2015, 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%
Mr. Tang Anthony Mong Fai	Beneficial owner	79,996,237 Shares*	15.14%
	Other	100,000,000 Underlying Shares [#]	18.92%

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)
Mr. So Chi Ming ("Mr. SCM")	Beneficial owner	9,012,250 Shares*	9.84%
	Interest through controlled corporation	43,000,000 Shares* (Note 3)	
Ms. Yeung Sau Han Agnes ("Ms. Agnes Yeung")	Interest of spouse	52,012,250 Shares* (Note 6)	9.84%
Major Ally Investments Limited ("Major Ally")	Beneficial owner	43,000,000 Shares* (Note 3)	8.13%
Fook Lam Moon Holdings Limited ("FLM Holdings")	Interest through controlled corporation	43,000,000 Shares* (Note 3)	8.13%
Mr. Chui Pui Kun ("Mr. CPK")	Interest through controlled corporation	43,000,000 Shares* (Note 4)	8.13%
Mrs. Chui Chan Oi Lin Eileen ("Mrs. Eileen Chui")	Interest of spouse	43,000,000 Shares* (Note 5)	8.13%
CGI (HK) Limited ("CGI HK")	Beneficial owner	42,860,000 Shares* (Note 7)	8.11%
CGI (Offshore) Limited ("CGI Offshore")	Interest through controlled corporation	42,860,000 Shares* (Note 7)	8.11%
Chinese Global Investors Group Limited ("CGI Group")	Interest through controlled corporation	42,860,000 Shares* (Note 7)	8.11%
China Merchants Securities Investment Management (HK) Co., Limited ("CMS")	Beneficial owner	346,625,000 Underlying Shares* (Note 8)	65.60%
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	346,625,000 Underlying Shares* (Note 8)	65.60%
China Merchants Securities Company Limited	Interest through controlled corporation	346,625,000 Underlying Shares* (Note 8)	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)
Best China Limited ("Best China")	Beneficial owner	69,325,000 Underlying Shares* (Note 9)	13.12%
Ms. Chu Yuet Wah ("CYW")	Interest through controlled corporation	69,325,000 Underlying Shares* (Note 9)	13.12%
Gothic Global Holding Ltd. ("Gothic")	Beneficial owner	51,993,750 Underlying Shares* (Note 10)	9.84%
CLJ Investment Partners Company Limited ("CLJ Investment")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 10)	9.84%
Chailease Holding Company Limited ("Chailease")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 10)	9.84%
Yellowstone Financial Advisory Corp. ("Yellowstone")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 10)	9.84%
Lii Jiunn-Chang ("LJC")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 10)	9.84%
Pacific Star Universal Group Ltd. ("Pacific Star")	Beneficial owner	34,662,500 Underlying Shares* (Note 11)	6.56%
Huang Cheng Ming ("HCM")	Interest through controlled corporation	34,662,500 Underlying Shares* (Note 11)	6.56%
Lai Shu-Mei ("LSM")	Interest of spouse	34,662,500 Underlying Shares* (Note 12)	6.56%

* Long Positions

Short Positions

OTHER INFORMATION

Notes:

1. As at 31 March 2015, the Company's issued ordinary share capital was HK\$5,283,600 divided into 528,360,000 Shares of HK\$0.01 each.
2. 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 EGM of the Company held on 3 April 2013, proposals were put forward to the Shareholders 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.

3. 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.
4. 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.
5. Mrs. Eileen Chui is the spouse of Mr. CPK. By virtue of the SFO, Mrs. Eileen Chui is also deemed to be interested in the Shares held by Major Ally in which Mr. CPK is deemed to be interested as mentioned in Note 4 above.
6. Ms. Agnes Yeung is the spouse of Mr. SCM. By virtue of the SFO, Ms. Agnes Yeung is also deemed to be interested in (i) the 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 3 above.
7. 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.

OTHER INFORMATION

8. 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 relating to the 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, 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.
9. These underlying Shares represent a maximum of 69,325,000 new Shares that may be issued pursuant to the second subscription agreement dated 31 March 2014 relating to the 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. Best China had such 69,325,000 underlying Shares, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by CYW. By virtue of the SFO, CYW is deemed to be interested in these underlying Shares held by Best China.
10. These underlying Shares represent a maximum of 51,993,750 new Shares that may be issued pursuant to the second subscription agreement dated 31 March 2014 relating to the 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 and in which are wholly and beneficially owned by Gothic, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by CLJ Greater China SME Fund L.P. Each of 37.5% of CLJ Investment was owned by Yellowstone, in which is wholly and beneficially owned by LJC, and Chailease International (BVI) Corp. respectively. The entire issued share capital at Chailease International (BVI) Corp. is owned by Chailease International Company (Malaysia) Limited which in turn is wholly owned by Chailease. By virtue of the SFO, each of LJC, Yellowstone, CLJ Investment and Chailease is deemed to be interested in the underlying Shares held by Gothic.
11. These underlying Shares represent a maximum of 34,622,500 new Shares that may be issued pursuant to the second subscription agreement dated 31 March 2014 relating to the 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 and in which are wholly and beneficially owned by Pacific Star, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by HCM. By virtue of the SFO, HCM is deemed to be interested in the underlying Shares held by Pacific Star.
12. LSM is the spouse of HCM. By virtue of the SFO, LSM is also deemed to be interested in 34,662,500 underlying Shares held by Pacific Star, in which are wholly and beneficially owned by HCM.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short position in the shares and underlying shares of the Company as at 31 March 2015 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 established an audit committee (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 first quarterly results for the three months ended 31 March 2015 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, 14 May 2015

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yu Sau Lai
Mr. Lam Raymond Shiu Cheung
Mr. Hu Dongguang
Mr. Mok Tsan San

Non-Executive Director

Mr. So David Tat Man

Independent Non-Executive Directors

Mr. Matthew Pau
Mr. Yeung Wai Hung, Peter
Mr. Chu Yu Man, Philip
Mr. Leung Ho Lun Harold
(*alternate to Mr. Chu Yu Man, Philip*)

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

COMPLIANCE OFFICER

Ms. Yu Sau Lai

AUDIT COMMITTEE

Mr. Matthew Pau (*Chairman*)
Mr. Yeung Wai Hung, Peter
Mr. Chu Yu Man, Philip

REMUNERATION COMMITTEE

Mr. Yeung Wai Hung, Peter (*Chairman*)
Mr. Matthew Pau
Mr. So David Tat Man
Mr. Chu Yu Man, Philip

NOMINATION COMMITTEE

Mr. Yeung Wai Hung, Peter (*Chairman*)
Mr. Matthew Pau
Mr. So David Tat Man
Mr. Chu Yu Man, Philip

AUDITORS

ZHONGLEI (HK) CPA Company Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4/F, Phase 1
Kaiser Estate
41 Man Yue Street
Hung Hom
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
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33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

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STOCK CODE

8272