



2015

INTERIM 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 “Director(s)”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Report is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this Report misleading.

This Report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.cfbgroup.com.hk.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015. The unaudited interim result for the six months ended 30 June 2014 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	27,843	9,636	58,433	25,318
Revenue	3	12,481	9,636	29,521	21,292
Cost of Sales		(9,606)	(9,206)	(23,405)	(19,724)
Gross profit		2,875	430	6,116	1,568
Other operation income		103	743	232	1,900
Inventories written-off		–	–	(264)	–
(Loss) gain on disposal of held-for-trading investments		(276)	–	231	(418)
Loss on disposal of subsidiary		–	–	–	(34)
Reversal of impairment loss in respect of other receivables		700	–	700	600
Change in fair value of held-for-trading investments		1,308	(4,744)	3,936	(12,822)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		–	(56,957)	–	(43,705)
Change in fair value of derivative financial assets		–	(14,870)	–	(14,180)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2015

		Three months ended 30 June 2015		Six months ended 30 June 2015	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in fair value of derivative components of convertible bonds		(5,242)	–	(1,709)	–
Selling and distribution expenses		(3,365)	(1,349)	(8,472)	(4,362)
Administrative and other operating expenses		(6,706)	(10,990)	(16,512)	(22,510)
Finance costs	4	(13,737)	(14,867)	(26,820)	(32,900)
Share of profit of joint ventures		1,027	–	4,398	–
Loss before tax		(23,313)	(102,604)	(38,164)	(126,863)
Income tax expenses	5	–	–	–	–
Loss for the period	6	(23,313)	(102,604)	(38,164)	(126,863)
(Loss) profit for the period attribute to:					
Owners of the Company		(23,512)	(102,648)	(38,168)	(126,822)
Non-controlling interests		199	44	4	(41)
		(23,313)	(102,604)	(38,164)	(126,863)
Loss per share – basic and diluted	8	HK cents (4.45)	HK cents (19.43)	HK cents (7.22)	HK cents (24.00)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(23,313)	(102,604)	(38,164)	(126,863)
Total comprehensive expenses for the period	(23,313)	(102,604)	(38,164)	(126,863)
Total comprehensive (expenses) income attributable to:				
Owners of the Company	(23,512)	(102,648)	(38,168)	(126,822)
Non-controlling interests	199	44	4	(41)
	(23,313)	(102,604)	(38,164)	(126,863)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current assets			
Plant and equipment		16,402	15,972
Deposits paid		26,000	26,000
Interest in joint ventures		241,032	236,634
		283,434	278,606

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current assets			
Inventories		3,783	3,397
Trade and other receivables	9	39,427	29,645
Held-for-trading investments		5,658	29,183
Bank balances and cash		3,142	2,857
		52,010	65,082
Current liabilities			
Trade and other payables	10	73,298	66,986
Other borrowings		14,200	14,200
Obligation under finance lease – current portion		490	387
Convertible bonds		306,653	283,378
Income tax payable		9,661	9,661
		404,302	374,612
Net current liabilities		(352,292)	(309,530)
Total assets less current liabilities		(68,858)	(30,924)
Non-current liabilities			
Other borrowings		55,000	55,000
Obligation under finance lease – non-current portion		1,433	1,287
Deferred tax liability		343	343
Deferred income		191	191
		56,967	56,821
		(125,825)	(87,745)
Capital and reserves			
Share capital	11	5,284	5,284
Reserves		(129,733)	(91,565)
Equity attributable to owners of the Company		(124,449)	(86,281)
Non-controlling interests		(1,376)	(1,464)
		(125,825)	(87,745)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2015

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- Controlling interest HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	5,284	248,175	893	(160,153)	94,199	(1,153)	93,046
Loss for the period	–	–	–	(126,822)	(126,822)	(41)	(126,863)
At 30 June 2014 (unaudited)	5,284	248,175	893	(286,975)	(32,623)	(1,194)	(33,817)
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) profit for the period	–	–	–	(38,168)	(38,168)	4	(38,164)
At 30 June 2015 (unaudited)	5,284	248,175	–	(377,908)	(124,449)	(1,376)	(125,825)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash from operating activities	7,333	12,201
Net cash used in investing activities	(4,536)	(1,101)
Net cash used in financing activities	(2,512)	(31,571)
Net increase (decrease) in cash and cash equivalents	285	(20,471)
Cash and cash equivalents at beginning of the period	2,857	21,909
Cash and cash equivalents at the end of the period	3,142	1,438
Represented by:		
Bank balances and cash	3,142	1,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 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 and included applicable disclosures required by the GEM Listing Rules.

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

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the six months ended 30 June 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 six months ended 30 June 2015

3. TURNOVER AND SEGMENT INFORMATION

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 revenue, results and total assets and liabilities by reportable and operating segment:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Revenue from external customers				
– Catering business	11,888	9,234	24,117	19,349
– Food manufacturing business	593	402	5,404	1,943
– Gross proceeds from disposal of held-for-trading investments	15,362	–	28,912	4,026
	27,843	9,636	58,433	25,318
Revenue				
– Catering business	11,888	9,234	24,117	19,349
– Food manufacturing business	593	402	5,404	1,943
	12,481	9,636	29,521	21,292
Segment results				
– Catering business	1,663	328	1,288	(356)
– Food manufacturing business	(5,563)	(3,687)	(10,448)	(7,392)
– Securities investments	(346)	(17)	99	(526)
	(4,246)	(3,376)	(9,061)	(8,274)
Interest income	–	667	–	1,734
Change in fair value of held-for-trading investments	1,308	(4,744)	3,936	(12,822)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss	–	(56,957)	–	(43,705)
Change in fair value of derivative instruments	–	(14,870)	–	(14,180)
Change in fair value of derivative components of convertible bonds	(5,242)	–	(1,709)	–
Reversal of impairment loss in respect of other receivables	700	–	700	600
Share of results in joint ventures	1,027	–	4,398	–
Finance costs	(13,737)	(14,867)	(26,820)	(32,900)
Unallocated corporate income	103	75	232	166
Unallocated corporate expenses	(3,226)	(8,532)	(9,840)	(17,482)
Loss before tax	(23,313)	(102,604)	(38,164)	(126,863)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Segment assets		
Catering business	34,475	33,336
Food manufacturing business	17,797	16,624
Securities trading	9,226	29,267
Unallocated corporate assets	273,946	264,461
	335,444	343,688
Segment Liabilities		
Catering business	3,341	4,050
Food manufacturing business	2,370	1,670
Securities trading	–	–
Unallocated corporate liabilities	455,558	425,713
	461,269	431,433

For the six months ended 30 June 2015, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (six months ended 30 June 2014: all in Hong Kong) and accordingly, no further analysis of the Group's geographical information is disclosed.

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:				
– obligation under finance lease	16	–	38	1
– other borrowings wholly repayable within five years	404	14,867	806	32,899
– convertible bonds	13,317	–	25,976	–
	13,737	14,867	26,820	32,900

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. INCOME TAX EXPENSE

The Company is an exempted company incorporated in the Cayman Islands, as such it is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

No provision for Hong Kong Profits Tax or tax of other jurisdictions has been made as the Group did not have any assessable profit for the six months ended 30 June 2015 and 30 June 2014.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff cost (including Directors' emoluments)				
– salaries, bonuses and allowances	7,088	6,523	16,411	14,410
– retirement benefit scheme contributions	387	336	842	669
	7,475	6,859	17,253	15,079
Cost of inventories recognised as expenses	3,888	3,223	9,161	7,397
Depreciation of plant and equipment	2,135	1,474	4,082	2,926
Operating lease rentals in respect of rented premises	2,709	2,169	5,691	4,737

7. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. 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 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(23,512)	(102,648)	(38,168)	(126,822)
	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	528,360	528,360	528,360
	HK cents	HK cents	HK cents	HK cents
Basic and diluted loss per share	(4.45)	(19.43)	(7.22)	(24.00)

The computation of the diluted loss per share for the three months and six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0 – 30 days	887	444
31 – 60 days	430	603
61 – 90 days	3,642	210
91 – 120 days	21	116
Over 120 days but less than one year	2,081	1,468
	7,061	2,841
Amounts due from joint ventures	26,362	22,167
Other receivables	6,004	4,637
	39,427	29,645

10. TRADE AND OTHER PAYABLES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0 – 30 days	1,784	1,591
31 – 60 days	1,161	727
61 – 90 days	37	223
91 – 120 days	58	8
Over 120 days but less than one year	512	297
More than one year but less than two years	–	19
	3,552	2,865
Amounts due to joint ventures	47,416	39,906
Other payables	22,330	24,215
	73,298	66,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares			
At 1 January 2015 and 30 June 2015	0.01	5,000,000	50,000
Issued and fully paid: Ordinary shares			
At 1 January 2015 and 30 June 2015	0.01	528,360	5,284

12. 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 six months ended 30 June 2015 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$58,433,000 (six months ended 30 June 2014: approximately HK\$25,318,000), approximately representing a 131% increase as compared with the last corresponding period. The increase was mainly contributed by the catering business, food manufacturing business and gross proceeds from disposal of held-for-trading investments.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$38,164,000 for the Reporting Period, as compared with a loss of approximately HK\$126,863,000 of the last corresponding period. The decrease in loss for the Reporting Period was mainly attributable to increase in revenue, share of profit of joint ventures, decrease in finance costs, decrease in administrative and other operating expenses, gain on change in fair value of held-for-trading investments, no loss on change in fair value of convertible instruments designated as financial assets at fair value through profit or loss and no loss on change in fair value of derivative financial assets.

Catering Business

The segmental turnover of the catering business for the Reporting Period was approximately HK\$24,117,000 (six months ended 30 June 2014: approximately HK\$19,349,000), representing an increase of approximately 25% 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\$5,404,000 (six months ended 30 June 2014: approximately HK\$1,943,000), representing an increase of approximately 178% as compared with the last corresponding period. The increase in this business was due to the increase in 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\$28,912,000 (six months ended 30 June 2014: approximately HK\$4,026,000), representing an increase of approximately 618% 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\$3,936,000 (six months ended 30 June 2014: a loss of HK\$12,822,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the Reporting Period. As at 30 June 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

(i) Investments in Joint Ventures

As at 30 June 2015, the Group has invested in 50% equity interest in each of Professional Guide Enterprise Limited ("SPV"), Leading Win Development Limited ("Leading Win") and Great Way Investing Company Limited ("Great Way"). The remaining 50% equity interest of these companies are owned by Coqueen Company Limited ("Coqueen"). The total cost of investment in these joint ventures was approximately HK\$232,543,000 (as at 31 December 2014: approximately HK\$232,543,000).

These three companies are investment holding companies and jointly hold 100% equity interest of Fook Lam Moon Restaurant Limited ("FLM HK") and Fook Lam Moon (Kowloon) Restaurant Limited ("FLM Kln").

(ii) 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 SPV; (ii) 500 ordinary shares in Great Way; and (iii) 500 ordinary shares in 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Wavier") 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

ended 31 December 2013. In the year 2014, the Group received repayment sum of HK\$2,900,000. During the Reporting Period, the Group received a further sum of HK\$700,000. 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 (as supplemented by the supplemental second framework agreement dated 30 January 2013) (the "Second Framework Agreement") which was then superseded by the third framework agreement on 24 April 2013 (as supplemented by a supplemental third framework agreement dated 6 August 2014) (the "Third Framework Agreement") in relation to, inter alia, the acquisition of a portion of Coqueen's entire shareholding in SPV from Coqueen by Rich Paragon pursuant to the Second Framework Agreement. Pursuant to the Third Framework Agreement, Rich Paragon have paid HK\$20,000,000 to Coqueen by way of internal resources of the Group as refundable deposit (the "Framework Deposit").

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 have been applied to settle part of the consideration of the acquisition of remaining 50% of the entire issued share capital in each of SPV, Great Way and Leading Win. 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

LIQUIDITY AND FINANCIAL RESOURCES

The Group has principally financed its operations by internal resources. The Reporting Period ended with the net current liabilities of approximately HK\$352,292,000 (as at 31 December 2014: approximately HK\$309,530,000) including the bank balances and cash of approximately HK\$3,142,000 (as at 31 December 2014: approximately HK\$2,857,000).

As at 30 June 2015, the Group had other borrowings amounted to HK\$69,200,000 (31 December 2014: HK\$69,200,000) and obligation under finance lease of approximately HK\$1,923,000 (31 December 2014: approximately HK\$1,674,000). The gearing ratio, computed as total liabilities to total assets, is 1.38 at the end of the Reporting Period (31 December 2014: 1.26).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total of 107 employees as compared with 97 employees in the last corresponding period. Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$17,253,000 (six months ended 30 June 2014: approximately HK\$15,079,000).

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

FOREIGN CURRENCY EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group's major foreign currency exposure is in United States dollar which Hong Kong dollar has been pegged. The Group does not have a foreign currency hedging policy as the Board considers that such risk is low. 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 June 2015, certain assets with fair value of approximately HK\$279,049,000 (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.

CAPITAL COMMITMENTS

As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 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 six months ended 30 June 2015.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

During the Reporting Period, the Group had successfully supported the production of festival food products of the SPV Group which has high-end brand name and customers. We also started to develop the manufacturing business with other brands. The Group will continue to expand these businesses and seek the opportunity to develop gourmet trading business.

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 "Fook Lam Moon" located at Galaxy Macau™ in Macau. This restaurant has commenced business on 12 August 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 six months ended 30 June 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 30 June 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 Shares and underlying Shares 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%

Save as disclosed above, as at 30 June 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.

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 June 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 six months ended 30 June 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 30 June 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%
Quantum China Asset Management Limited	Investment Manager	68,620,000 Shares*	12.99%
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%

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. 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%
Taiping Quantum Prosperity Fund	Beneficial owner	35,120,000 Shares*	6.65%
Quantum Advantage Fund	Beneficial owner	33,500,000 Shares*	6.34%
CGI (HK) Limited ("CGI HK")	Beneficial owner	28,500,000 Shares* (Note 7)	5.39%
CGI (Offshore) Limited ("CGI Offshore")	Interest through controlled corporation	28,500,000 Shares* (Note 7)	5.39%
Chinese Global Investors Group Limited ("CGI Group")	Interest through controlled corporation	28,500,000 Shares* (Note 7)	5.39%
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%
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%

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)
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

Notes:

1. As at 30 June 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.

OTHER INFORMATION

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

OTHER INFORMATION

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short position in the shares and underlying shares of the Company as at 30 June 2015 which is required to be recorded pursuant to Section 336 of SFO.

Share Option Scheme

The share option scheme of the Company was adopted on 31 October 2013. During the six months ended 30 June 2015, there was no share option granted, exercised, cancelled or lapsed under the share option schemes and no share option remained outstanding at the beginning and at the end of the Reporting Period under the share option schemes of the Company.

Change in information on Directors

The change of information on the Directors during the Reporting Period and up to the date of this Report that required to be disclosed pursuant to rule 17.50A (1) of the GEM Listing Rules is as follows:-

Mr. Mok Tsan San has been appointed as a non-executive director of Casablanca Group Limited (stock code: 2223) and an executive director of Hin Sang Group (International) Holding Co. Ltd. (stock code: 6893), both listed on the Main Board of the Stock Exchange, with effect from 9 April 2015 and 1 May 2015 respectively.

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.

Corporate Governance

The Company has applied the principles and save as disclosed herein, has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the deviations set out below:

Code Provision A.2.1

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

During the Reporting Period, the office of the chairman of the Board remains vacant. The roles of the chairman and chief executive were performed by the executive Directors. The Board is of the view that there existed a balance of power and authority during the Reporting Period.

The Board will continue to review the current structure of the Board from time-to-time. If candidates with suitable knowledge, skills and experience are identified, the Company will make appointments to fill the post(s) of chairman and/or the chief executive as appropriate.

OTHER INFORMATION

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

Audit Committee

The Company has established the Audit Committee on 10 June 2003 with revised written terms of reference adopted on 15 March 2012 in compliance with the GEM Listing Rules. 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 interim results for the six months ended 30 June 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, 13 August 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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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