



# 2015

THIRD 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 “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](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.cfbgroup.com.hk](http://www.cfbgroup.com.hk).*

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

For the nine months ended 30 September 2015

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	23,078	14,655	81,511	39,973
Revenue	3	19,300	14,655	48,821	35,947
Cost of sales		(15,838)	(11,990)	(39,243)	(31,714)
Gross profit		3,462	2,665	9,578	4,233
Other operating income		189	582	421	2,482
Written-off in respect of inventories		–	(375)	(264)	(375)
Loss on disposal of subsidiary		–	–	–	(34)
(Loss) gain on disposal of held-for-trading investments		(39)	–	192	(418)
Reversal of impairment loss in respect of other receivables		400	–	1,100	600
Change in fair value of held-for-trading investments		(1,841)	(2,509)	2,095	(15,331)
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		–	1,749	–	(41,956)
Change in fair value of derivative financial assets		–	–	–	(14,180)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the nine months ended 30 September 2015

	Notes	Three months ended 30 September 2015		Nine months ended 30 September 2015	
		(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000
Change in fair value of derivative components of convertible bonds		–	–	(1,709)	–
Share of results of joint ventures		(1,121)	(8)	3,277	(8)
Selling and distribution expenses		(5,615)	(2,298)	(14,087)	(6,660)
Administrative and other operating expenses		(7,916)	(11,546)	(24,428)	(34,056)
Finance costs		(14,511)	(14,909)	(41,331)	(47,809)
Loss before tax		(26,992)	(26,649)	(65,156)	(153,512)
Income tax expense	4	–	–	–	–
Loss for the period		(26,992)	(26,649)	(65,156)	(153,512)
Total comprehensive expenses for the period		(26,992)	(26,649)	(65,156)	(153,512)
(Loss) profit for the period and total comprehensive (expenses) income attributable to:					
Owners of the Company		(27,145)	(26,846)	(65,313)	(153,668)
Non-controlling interests		153	197	157	156
		(26,992)	(26,649)	(65,156)	(153,512)
Loss per share – basic and diluted	6	HK cents (5.14)	HK cents (5.08)	HK cents (12.36)	HK cents (29.08)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Attributable to owners of the Company					Non-controlling interests	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) profit for the period	-	-	-	(153,668)	(153,668)	156	(153,512)
At 30 September 2014 (unaudited)	5,284	248,175	893	(313,821)	(59,469)	(997)	(60,466)
At 1 January 2015 (audited)	5,284	248,175	-	(339,740)	(86,281)	(1,464)	(87,745)
(Loss) profit for the period	-	-	-	(65,313)	(65,313)	157	(65,156)
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	84	84
At 30 September 2015 (unaudited)	5,284	248,175	-	(405,053)	(151,594)	(1,223)	(152,817)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 nine months ended 30 September 2015 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014, except for the new and revised IFRSs which have become effective during this period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

## 3. TURNOVER AND REVENUE

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>				
Catering business	11,041	10,458	35,158	29,807
Food manufacturing business	8,259	4,197	13,663	6,140
Gross proceeds from disposal of held-for-trading investments	3,778	–	32,690	4,026
	<b>23,078</b>	<b>14,655</b>	<b>81,511</b>	<b>39,973</b>
<b>Revenue</b>				
Catering business	11,041	10,458	35,158	29,807
Food manufacturing business	8,259	4,197	13,663	6,140
	<b>19,300</b>	<b>14,655</b>	<b>48,821</b>	<b>35,947</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

## 4. INCOME TAX EXPENSE

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

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

## 5. DIVIDEND

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

## 6. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(27,145)	(26,846)	(65,313)	(153,668)
	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	(5.14)	(5.08)	(12.36)	(29.08)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

## 6. LOSS PER SHARE *(continued)*

The computation of the diluted loss per share for the three months and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$81,511,000 (nine months ended 30 September 2014: approximately HK\$39,973,000), approximately representing a 104% increase as compared with the last corresponding period. Turnover of all segments during the Reporting Period were increased as compared with the last corresponding period.

### Results for the Reporting Period

The Group recorded a loss of approximately HK\$65,156,000 for the Reporting Period, as compared with a loss of approximately HK\$153,512,000 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\$35,158,000 (nine months ended 30 September 2014: approximately HK\$29,807,000), representing an increase of approximately 18% 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\$13,663,000 (nine months ended 30 September 2014: approximately HK\$6,140,000), representing an increase of approximately 123% 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 investments held-for-trading for the Reporting Period was approximately HK\$32,690,000 (nine months ended 30 September 2014: approximately HK\$4,026,000), representing an increase of approximately 712% 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\$2,095,000 (nine months ended 30 September 2014: a loss of approximately HK\$15,331,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

There was no change in the Company's capital structure during the Reporting Period. As at 30 September 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 September 2015, the Group has invested in 50% equity interests 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 interests 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 (as supplemented by an addendum dated 13 March 2015 and a second addendum dated 30 April 2015) (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

## MANAGEMENT DISCUSSION AND ANALYSIS

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”). 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 which will trigger an obligation to make a mandatory general offer for all the securities of the Company, unless a whitewash waiver pursuant to note 1 on dispensations from Rule 26 of the Code on Takeovers and Mergers.

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.

The Company had previously applied to the Executive for the Executive’s consent under Rule 8.2 of Takeovers Code for an extension of time for the despatch of the Circular until 13 November 2015, and the consent was granted by the Executive on 21 May 2015. As additional time is required, the Company had made an application to the Executive’s consent for further extension and will make a further announcement for the expected date of despatch of the circular in due course.

For details, please refer to the announcements of the Company dated 24 April 2013, 6 August 2014, 30 April 2015 and 16 October 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").

The completion of the Proposed Transaction will result in SPV becoming a wholly-owned subsidiary of the Company, thereby rendering the Shareholders' Agreement. The Shareholders' Agreement shall be terminated with immediate effect upon the completion of the Proposed Transaction.

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

### (iii) Acquisition of Power Tool

On 29 September 2015 and 30 October 2015, Success Century Investments Limited (the "Vendor") and Golden Eva Limited, a wholly-owned subsidiary of the Company, (the "Purchaser") entered into the sale and purchase agreement and supplemental agreement respectively, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Loan (as defined in the Company's announcement dated 6 October 2015) at the consideration of up to HK\$24,000,000 (subject to adjustment). The consideration shall be payable and settled by way of procuring the Company to issue: (i) tranche A promissory note in the principal amount of HK\$18,000,000 which may be exchanged for the tranche A convertible bond convertible up to a maximum of 56,250,000 conversion shares upon conversion at the conversion price of HK\$0.32 each; and (ii) tranche B promissory note in the principal amount of HK\$6,000,000 (subject to adjustment) which may be exchanged for the Tranche B Convertible Bond convertible up to a maximum of 18,750,000 conversion shares upon conversion at the conversion price of HK\$0.32 each (the "Acquisition").

As the applicable ratios defined under the GEM Listing Rules in respect of the Acquisition are more than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS

The primary product of the Finest Corporate Group (as defined in the Company's announcement dated 6 October 2015) is KRYSTAL®, a high quality natural alkaline water sourced from the pristine Lesser Khingan Mountains in Heilongjiang, PRC and is positioned as a luxury and healthy bottled water targeting the fine water market. The Directors were of the view that the provision of the product KRYSTAL® could enhance the Group's brand image by creating the synergy and opportunities for the Group to further expand and develop of its high-end food and beverage industry.

As at the date of this report, the Acquisition has been completed.

For details, please refer to the announcements of the Company date 6 October 2015 and 30 October 2015.

### 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. 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\$1,100,000. 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").

## MANAGEMENT DISCUSSION AND ANALYSIS

On 10 October 2014, Rich Paragon and the Company entered into the Coqueen Sale and Purchase Agreement 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, 30 April 2015 and 16 October 2015.

### 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\$376,238,000 (as at 31 December 2014: approximately HK\$309,530,000) including the bank balances and cash of approximately HK\$4,168,000 (as at 31 December 2014: approximately HK\$2,857,000).

As at 30 September 2015, the Group had other borrowings amounted to HK\$69,200,000 (31 December 2014: HK\$69,200,000) and obligations under finance leases of approximately HK\$1,803,000 (31 December 2014: approximately HK\$1,674,000). The gearing ratio, computed as total liabilities to total assets, is 1.45 at the end of the Reporting Period (31 December 2014: 1.26).

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGE ON GROUP'S ASSETS

As at 30 September 2015, certain assets with fair value of approximately HK\$283,550,000 (as at 31 December 2014: HK\$272,780,000) were pledged for the convertible bonds in the principal amount of US\$37.5 million.

### CAPITAL COMMITMENTS

As at 30 September 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 HK\$580,000,000 and acquisition of 100% equity interest in a company and related shareholder's loan of HK\$24,000,000.

### CONTINGENT LIABILITIES

As at 30 September 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 nine months ended 30 September 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment in Fook Lam Moon

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.

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.

## 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.

## New Fook Lam Moon restaurant in Macau

In 2014, the Group has entered into a joint venture agreement with Galaxy Entertainment Group Limited (Stock Code: 27) regulating the formation of a joint venture through FLM Macau Holdings Limited 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.

## New Fook Lam Moon Fine Foods gourmet shop

In August 2015, the Group has opened a new gourmet shop at Wanchai. Dedicating to offer top-notch quality products to customers, Fook Lam Moon Fine Foods indulges gourmards with an exceptional range of own branded products and exclusively sourced gastronomic products from all over the world.

## OTHER INFORMATION

### Litigations

Details of litigations for the nine months ended 30 September 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 September 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 Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interests in the Company's issued share capital
Mr. Yeung Wai Hung, Peter	Personal	275,000	–	275,000	0.05%

Save as disclosed above, as at 30 September 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 September 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 nine months ended 30 September 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 September 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)	

## OTHER INFORMATION

Name of shareholder	Nature of interests/ holding capacity	Number of Shares/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
Ms. Yeung Sau Han Agnes ("Ms. Agnes Yeung")	Interest of spouse	52,012,250 Shares* (Note 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%
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%

## OTHER INFORMATION

Name of shareholder	Nature of interests/ holding capacity	Number of Shares/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
China Merchants Securities 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%
Success Century Investments Limited ("Success Century")	Beneficial owner	75,000,000 Underlying Shares* (Note 9)	14.19%
Wong Ching Ping Alex	Interest through controlled corporation	75,000,000 Underlying Shares* (Note 9)	14.19%
Gomes Maria Da Silva Rubi Angela	Interest of spouse	75,000,000 Underlying Shares* (Note 9)	14.19%
Best China Limited ("Best China")	Beneficial owner	69,325,000 Underlying Shares* (Note 10)	13.12%
Ms. Chu Yuet Wah ("CYW")	Interest through controlled corporation	69,325,000 Underlying Shares* (Note 10)	13.12%
Gothic Global Holding Ltd. ("Gothic")	Beneficial owner	51,993,750 Underlying Shares* (Note 11)	9.84%
CLJ Investment Partners Company Limited ("CLJ Investment")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 11)	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 11)	9.84%
Yellowstone Financial Advisory Corp. ("Yellowstone")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 11)	9.84%
Lii Jiunn-Chang ("LJC")	Interest through controlled corporation	51,993,750 Underlying Shares* (Note 11)	9.84%
Pacific Star Universal Group Ltd. ("Pacific Star")	Beneficial owner	34,662,500 Underlying Shares* (Note 12)	6.56%
Huang Cheng Ming ("HCM")	Interest through controlled corporation	34,662,500 Underlying Shares* (Note 12)	6.56%
Lai Shu-Mei ("LSM")	Interest of spouse	34,662,500 Underlying Shares* (Note 13)	6.56%

\* Long Positions

Notes:

- As at 30 September 2015, the Company's issued ordinary share capital was HK\$5,283,600 divided into 528,360,000 Shares of HK\$0.01 each.
- These Shares were beneficially owned by Upper Run, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Ms. Winky Chan. By virtue of the SFO, Ms. Winky Chan is deemed to be interested in the Shares held by Upper Run. Kingston Finance Limited ("Kingston") had a security interest in 1,010,000,000 Shares owned by Upper Run as at 31 January 2013, which related to the same block of the Shares held by Upper Run abovementioned. Based on disclosure of interest filed by Kingston on 6 February 2013, Kingston has no interests in the Company.

## OTHER INFORMATION

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

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.
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, 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 75,000,000 new Shares that may be issued pursuant to the sale and purchase agreement relating to the acquisition of 100% equity interest in Power Tool Investments Limited involving the issue of the zero coupon convertible bonds by the Company at an aggregate principal amount of HK\$24,000,000 with the initial conversion price of HK\$0.32 per conversion share, and in which are beneficially owned by Success Century whose entire issued share capital is beneficially owned by Wong Ching Ping Alex. Gomes Maria Da Silva Rubi Angela is the spouse of Wong Ching Ping Alex. By virtue of the SFO, each of Wong Ching Ping Alex and Gomes Maria Da Silva Rubi Angela is deemed to be interested in the underlying Shares held by Success Century.

## OTHER INFORMATION

10. 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. 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.
11. 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 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.
12. 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 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.
13. 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 30 September 2015 which is required to be recorded pursuant to Section 336 of SFO.

### Competing Interests

The Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.



## OTHER INFORMATION

### Purchase, Sale or Redemption of the Listed Securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Audit Committee

The Company has established the Audit Committee on 10 June 2003 with revised written terms of reference adopted on 15 March 2012 in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee had three members comprising all the three independent non-executive Directors; namely, Mr. Matthew Pau (the chairman of the Audit Committee), Mr. Yeung Wai Hung, Peter and Mr. Chu Yu Man, Philip (Mr. Leung Ho Lun Harold as his alternate).

The unaudited third quarterly results for the nine months ended 30 September 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, 12 November 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.*