



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



2016

INTERIM REPORT

A decorative background image featuring a white dumpling with a brown filling, resting on a white plate. A pair of silver chopsticks is placed diagonally across the dumpling. The entire image is overlaid with a semi-transparent red pattern of stylized flowers and leaves.

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 2016. The unaudited interim results for the six months ended 30 June 2015 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	10,529	27,843	26,869	58,433
Revenue	3	10,529	12,481	26,565	29,521
Cost of Sales		(8,501)	(9,606)	(23,083)	(23,405)
Gross profit		2,028	2,875	3,482	6,116
Other operation income		257	103	445	232
Written-off of inventories		(310)	–	(393)	(264)
(Loss) gain on disposal of held-for-trading investments		–	(276)	(57)	231
Reversal of impairment loss in respect of loan receivables		–	700	1,560	700
Change in fair value of held-for-trading investments		22	1,308	(38)	3,936
Change in fair value of contingent consideration receivable		324	–	324	–
Change in fair value of derivative components of convertible bonds		–	(5,242)	–	(1,709)
Selling and distribution expenses		(4,545)	(3,365)	(10,071)	(8,472)
Administrative and other operating expenses		(7,716)	(6,706)	(16,207)	(16,512)
Finance costs	4	(12,669)	(13,737)	(24,004)	(26,820)
Share of profit (loss) of joint ventures		2,270	1,027	(544)	4,398
Share of loss of associates		(1,596)	–	(3,027)	–

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss before tax		(21,935)	(23,313)	(48,530)	(38,164)
Income tax expenses	5	–	–	–	–
Loss for the period	6	(21,935)	(23,313)	(48,530)	(38,164)
Total comprehensive expenses for the period		(21,935)	(23,313)	(48,530)	(38,164)
(Loss) profit for the period attributable to:					
Owners of the Company		(21,757)	(23,512)	(47,818)	(38,168)
Non-controlling interests		(178)	199	(712)	4
		(21,935)	(23,313)	(48,530)	(38,164)
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		(21,757)	(23,512)	(47,818)	(38,168)
Non-controlling interests		(178)	199	(712)	4
		(21,935)	(23,313)	(48,530)	(38,164)
Loss per share		HK cents	HK cents	HK cents	HK cents
– basic and diluted	8	(4.12)	(4.45)	(9.05)	(7.22)
Loss for the period		(21,935)	(23,313)	(48,530)	(38,164)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Plant and equipment		12,911	15,291
Interests in associates		29,767	28,807
Interests in joint ventures		221,078	221,623
Deposits paid		20,000	20,000
Contingent consideration receivable		5,056	4,731
		288,812	290,452
Current assets			
Inventories		3,365	3,290
Trade and other receivables	9	35,317	42,243
Held-for-trading investments		351	–
Bank balances and cash		1,004	2,547
		40,037	48,080
Current liabilities			
Trade and other payables	10	133,315	96,762
Other borrowings		70,500	69,200
Obligation under finance leases – current portion		620	611
Convertible bonds		325,307	325,307
Derivative financial liability		17,785	17,785
		547,527	509,665
Net current liabilities		(507,490)	(461,585)
Total assets less current liabilities		(218,678)	(171,133)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current liabilities			
Obligation under finance leases			
– non-current portion		1,273	1,585
Promissory notes payable		20,222	18,925
Deferred income		127	127
		21,622	20,637
Net liabilities		(240,300)	(191,770)
Capital and reserves			
Share capital	11	5,284	5,284
Reserves		(243,477)	(195,659)
Equity attributable to owners of the Company		(238,193)	(190,375)
Non-controlling interests		(2,107)	(1,395)
Total deficits		(240,300)	(191,770)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-Controlling interest HK\$'000	Total HK\$'000
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)
At 1 January 2016 (audited)	5,284	248,175	(8)	(443,826)	(190,375)	(1,395)	(191,770)
Loss for the period	–	–	–	(47,818)	(47,818)	(712)	(48,530)
At 30 June 2016 (unaudited)	5,284	248,175	(8)	(491,644)	(238,193)	(2,107)	(240,300)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash from operating activities	5,522	7,333
Net cash used in investing activities	(7,161)	(4,536)
Net cash from (used in) financing activities	96	(2,512)
Net (decrease) increase in cash and cash equivalents	(1,543)	285
Cash and cash equivalents at beginning of the period	2,547	2,857
Cash and cash equivalents at the end of the period	1,004	3,142
Represented by:		
Bank balances and cash	1,004	3,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on the GEM of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of its principal place of business in Hong Kong is 4/F, Phase 1, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong. The principal activity of the Company is investment holding.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), including applicable Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the Group's unaudited quarterly financial statements include applicable disclosures required by the GEM Listing Rules.

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

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the six months ended 30 June 2016 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the gross proceeds received and receivable from catering business, food manufacturing business, 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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Revenue from external customers				
– Catering business	9,271	11,888	20,823	24,117
– Food manufacturing business	1,258	593	5,742	5,404
– Gross proceeds from disposal of held-for-trading investments	–	15,362	304	28,912
	10,529	27,843	26,869	58,433
Revenue				
– Catering business	9,271	11,888	20,823	24,117
– Food manufacturing business	1,258	593	5,742	5,404
	10,529	12,481	26,565	29,521
Segment results				
– Catering business	65	1,663	(505)	1,288
– Food manufacturing business	(6,904)	(5,563)	(15,012)	(10,448)
– Securities trading	(49)	(346)	(168)	99
	(6,888)	(4,246)	(15,685)	(9,061)
Change in fair value of held-for-trading investments	22	1,308	(38)	3,936
Change in fair value of contingent consideration receivable	324	–	324	–
Change in fair value of derivative components of convertible bonds	–	(5,242)	–	(1,709)
Reversal of impairment loss in respect of other receivables	–	700	1,560	700
Share of loss of associates	(1,596)	–	(3,027)	–
Share of profit (loss) of joint ventures	2,270	1,027	(544)	4,398
Finance costs	(12,672)	(13,737)	(24,004)	(26,820)
Unallocated corporate income	257	103	445	232
Unallocated corporate expenses	(3,652)	(3,226)	(7,561)	(9,840)
Loss before tax	(21,935)	(23,313)	(48,530)	(38,164)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Segment assets		
Catering business	7,285	10,395
Food manufacturing business	14,323	16,796
Securities trading	352	3,501
Unallocated corporate assets	306,889	307,840
	328,849	338,532
Segment liabilities		
Catering business	5,911	4,514
Food manufacturing business	10,726	9,213
Unallocated corporate liabilities	552,512	516,575
	569,149	530,302

For the six months ended 30 June 2016, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (six months ended 30 June 2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on:				
– obligation under finance leases	15	16	31	38
– other borrowings wholly repayable within five years	454	404	870	806
– convertible bonds	10,904	13,317	21,807	25,976
– promissory notes payable	1,296	–	1,296	–
	12,669	13,737	24,004	26,820

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 and 30 June 2015.

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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff cost (including Directors' emoluments)				
– salaries, bonuses and allowances	6,817	7,088	16,161	16,411
– retirement benefit scheme contributions	342	387	796	842
	7,159	7,475	16,957	17,253
Cost of inventories recognised as expenses	3,201	3,888	9,826	9,161
Depreciation of plant and equipment	2,960	2,135	5,734	4,082
Operating lease rentals in respect of rented premises	3,359	2,709	6,724	5,691

7. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(21,757)	(23,512)	(47,818)	(38,168)
	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	(4.12)	(4.45)	(9.05)	(7.22)

The computation of the diluted loss per share for the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 – 30 days	647	1,209
31 – 60 days	266	378
61 – 90 days	185	243
91 – 120 days	218	391
Over 120 days but less than one year	2,143	2,232
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Amounts due from joint ventures	3,459	4,453
Other receivables	26,362	26,859
	5,496	10,931
	<hr/>	<hr/>
	35,317	42,243
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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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 – 30 days	958	1,761
31 – 60 days	1,039	801
61 – 90 days	996	162
91 – 120 days	2,207	779
Over 120 days but less than one year	3,348	1,549
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Amounts due to joint ventures	8,548	5,052
Other payables	71,802	65,454
	52,965	26,256
	<hr/>	<hr/>
	133,315	96,762
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares At 1 January 2016 and 30 June 2016	0.01	5,000,000	50,000
Issued and fully paid: Ordinary shares At 1 January 2016 and 30 June 2016	0.01	528,360	5,284

12. COMPARATIVE FIGURES

During the six months ended 30 June 2016, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the condensed consolidated financial statements in respect of drop in securities trading and descend in catering business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

Turnover

During the six months ended 30 June 2016 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$26,869,000 (six months ended 30 June 2015: approximately HK\$58,433,000), approximately representing a 54% decrease as compared with the last corresponding period. The decrease was mainly due to drop in securities trading and descend in catering business.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$48,530,000 for the Reporting Period, as compared with a loss of approximately HK\$38,164,000 of the last corresponding period. The increase in loss for the Reporting Period was mainly due to decrease in revenue, share of loss of joint ventures and associates, loss on disposal of held-for-trading investments, loss on change in fair value of held-for-trading investments, increase in selling and distributions expenses.

Catering Business

The segmental turnover of the catering business for the Reporting Period was approximately HK\$20,823,000 (six months ended 30 June 2015: approximately HK\$24,117,000), representing a decrease of approximately 14% as compared with the last corresponding period. The decrease in this business was due to poor sentiment of the consumption market and also impacted on banquet spending.

Food Manufacturing Business

The segmental turnover of the food manufacturing business for the Reporting Period was approximately HK\$5,742,000 (six months ended 30 June 2015: approximately HK\$5,404,000), representing an increase of approximately 6% 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 Trading

The gross proceeds from disposal of held-for-trading investments for the Reporting Period was approximately HK\$304,000 (six months ended 30 June 2015: approximately HK\$28,912,000), representing a decrease of approximately 99% as compared with the last corresponding period.

During the Reporting Period, the Group recorded a loss on change in fair value of held-for-trading investments of approximately HK\$38,000 (six months ended 30 June 2015: a gain of approximately HK\$3,936,000).

CAPITAL STRUCTURE

As at 30 June 2016, 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”).

As at 30 June 2016, the Company has outstanding convertible bonds in the principal amount of US\$37.5 million issued by the Company on 18 December 2014 (the “Convertible Bonds”) and that the holders of the Convertible Bonds have requested the Company to redeem the Convertible Bonds. The Company is currently in negotiation with

MANAGEMENT DISCUSSION AND ANALYSIS

the holders of the Convertible Bonds regarding the possible extension of the redemption dates, and is also currently in negotiation with certain financial institutions regarding the possible transfer of the Convertible Bonds and fund raising exercises to meet the financial needs of the Company.

The Group had issued the tranche A promissory note and the tranche B promissory note on 6 November 2015 in the aggregate principal sum of HK\$24,000,000 (subject to adjustment) free of interest and repayable on 6 November 2017. Both the tranche A promissory note and the tranche B promissory note may be exchanged for the tranche A convertible bond and the tranche B convertible bond respectively, subject to the terms and conditions in the sale and purchase agreement executed on 29 September 2015 and its supplemental agreement on 30 October 2015. As at 30 June 2016, no tranche A convertible bond or tranche B convertible bond has been issued.

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\$507,490,000 (as at 31 December 2015: approximately HK\$461,585,000) including the bank balances and cash of approximately, HK\$1,004,000 (as at 31 December 2015: approximately HK\$2,547,000).

As at 30 June 2016, the Group had other borrowings amounted to approximately HK\$70,500,000 (31 December 2015: approximately HK\$69,200,000) and obligation under finance leases of approximately HK\$1,893,000 (31 December 2015: approximately HK\$2,196,000). The gearing ratio, computed as total liabilities to total assets, is 1.73 at the end of the Reporting Period (31 December 2015: 1.57).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed a total of 77 employees as compared with 107 employees in the last corresponding period. Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$16,957,000 (six months ended 30 June 2015: approximately HK\$17,253,000).

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 2016, certain assets with fair value of approximately HK\$253,040,000 (as at 31 December 2015: approximately HK\$258,002,000) were pledged for the Convertible Bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2016, the Group did not have any significant capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2016, 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 2016.

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 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 recognised during the eight months ended 31 December 2013. In the year 2014 and 2015, the Group received repayment in aggregate of HK\$4,660,000. During the Reporting Period, the Group received a further sum of HK\$1,560,000. The Group still 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 Limited ("Rich Paragon", an indirectly wholly-owned subsidiary of the Company), Coqueen Company Limited ("Coqueen"), Professional Guide Enterprise Limited ("SPV"), Mr. Chui Pui Kun and Mr. Chui Tak Keung, Duncan 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 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. Pursuant to the Coqueen Sale and Purchase Agreement, the Framework Deposit paid to Coqueen by Rich Paragon shall apply to settle part of the consideration of the acquisition of remaining 50% of the entire issued share capital in each of SPV, Great Way Investing Company Limited and Leading Win Development Limited. As the conditions precedent stated in the announcement of the Company dated

MANAGEMENT DISCUSSION AND ANALYSIS

30 April 2015 have not been fulfilled by 29 January 2016, the Coqueen Sale and Purchase Agreement had lapsed and the Framework Deposit should be refunded by Coqueen to Rich Paragon accordingly.

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, 18 October 2013, 6 August 2014, 30 April 2015, 16 October 2015, 13 November 2015 and 3 February 2016, and the circular of the Company dated 29 August 2014.

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 China.

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.

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.

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 Fook Lam Moon 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.

Food manufacturing business

During the Reporting Period, the food manufacturing business continued to record an operating loss. The management is reviewing different proposals to restructure this segment.

Other catering business

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 2016 were set out under the section of “Litigations” on page 10 of the Company’s annual report for the year ended 31 December 2015 (the “2015 Annual Report”). Capitalised terms used herein shall have the same meanings as those defined in the 2015 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 material 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 2016, 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 Rules 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 Shares	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 June 2016, 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 Rules 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 2016, 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 2016, 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 2016, the following parties, other than Directors and the chief executive of the Company, held interests or short positions (directly or indirectly) in the 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 4)	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 5)	8.13%
Mrs. Chui Chan Oi Lin Eileen ("Mrs. Eileen Chui")	Interest of spouse	43,000,000 Shares* (Note 6)	8.13%
CGI (HK) Limited ("CGI HK")	Beneficial owner	31,800,000 Shares* (Note 7)	6.01%
CGI (Offshore) Limited ("CGI Offshore")	Interest through controlled corporation	31,800,000 Shares* (Note 7)	6.01%
Chinese Global Investors Group Limited ("CGI Group")	Interest through controlled corporation	31,800,000 Shares* (Note 7)	6.01%
Taiping Quantum Prosperity Fund	Investment Manager	30,505,000 Shares*	5.77%
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%

OTHER INFORMATION

Name of shareholder	Nature of interests/ holding capacity	Number of Shares/ Underlying Shares	Approximate total percentage of interests in the Company's issued share capital (Note 1)
China Merchants Securities Company Limited	Interest through controlled corporation	346,625,000 Underlying Shares* (Note 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%
Chailease Holding Company Limited ("Chailease")	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)
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 June 2016, the Company's issued ordinary share capital was HK\$5,283,600 divided into 528,360,000 Shares of HK\$0.01 each.
- These Shares were beneficially owned by Upper Run, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Ms. Winky Chan. By virtue of the SFO, Ms. Winky Chan is deemed to be interested in the Shares held by Upper Run. Kingston Finance Limited ("Kingston") had a security interest in 1,010,000,000 Shares owned by Upper Run as at 31 January 2013, which related to the same block of the Shares held by Upper Run abovementioned. Based on disclosure of interest filed by Kingston on 6 February 2013, Kingston has no interests in the Company.

At the 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

OTHER INFORMATION

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. 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.
5. 50% issued share capital of Major Ally is owned by FLM Holdings which is in turn wholly owned by Mr. CPK. By virtue of the SFO, Mr. CPK is deemed to be interested in the Shares held by Major Ally.
6. Mrs. Eileen Chui is the spouse of Mr. CPK. By virtue of the SFO, Mrs. Eileen Chui is also deemed to be interested in the Shares held by Major Ally in which Mr. CPK is deemed to be interested.
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 and its supplemental agreement on 29 September 2015 and 30 October 2015 respectively relating to the acquisition of 100% equity interest in Power Tool Investments Limited involving the issue of tranche A promissory note and tranche B promissory note at an aggregate principal amount of HK\$24,000,000 (subject to adjustment). Both tranche A promissory note and tranche B promissory note may be exchanged for tranche A convertible bond and tranche B convertible bond respectively, 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.

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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, and in which are beneficially owned by Best China, 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 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. 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 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 as at 30 June 2016 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 2016, 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:-

OTHER INFORMATION

Mr. Yeung Wai Hung, Peter has been appointed as an independent non-executive director of Teleeye Holdings Limited (stock code: 8051), a company listed on GEM, with effect from 10 June 2016.

Mr. Matthew Pau has resigned as a non-executive director of FT Securities Limited with effect from 19 July 2016.

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.

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.

OTHER INFORMATION

Audit Committee

The Company has established the Audit Committee on 10 June 2003 with latest written terms of reference adopted on 12 November 2015 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 2016 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, 11 August 2016

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.