



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

THIRD QUARTERLY REPORT



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 nine months ended 30 September 2016. The unaudited third quarterly result for the nine months ended 30 September 2015 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

		Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	11,524	23,078	38,393	81,511
Revenue	3	11,524	19,300	38,089	48,821
Cost of sales		(6,788)	(15,838)	(29,871)	(39,243)
Gross profit		4,736	3,462	8,218	9,578
Other operating income		704	189	1,149	421
Written-off in respect of inventories		(82)	–	(475)	(264)
Loss on disposal of subsidiary		(396)	–	(396)	–
(Loss) gain on disposal of held-for-trading investments		–	(39)	(57)	192
Reversal of impairment loss in respect of other receivables		100	400	1,660	1,100
Change in fair value of held-for-trading investments		(44)	(1,841)	(82)	2,095
Change in fair value of contingent consideration receivable		162	–	486	–
Change in fair value of derivative components of convertible bonds		–	–	–	(1,709)
Selling and distribution expenses		(2,737)	(5,615)	(12,808)	(14,087)
Administrative and other operating expenses		(8,704)	(7,916)	(24,911)	(24,428)
Finance costs	4	(12,027)	(14,511)	(36,031)	(41,331)
Share of (loss) profit of joint ventures	5	(2,022)	(1,121)	(2,566)	3,277
Share of loss of associates		(3,124)	–	(6,151)	–

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the nine months ended 30 September 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss before tax		(23,434)	(26,992)	(71,964)	(65,156)
Income tax expense	6	–	–	–	–
Loss for the period		(23,434)	(26,992)	(71,964)	(65,156)
Total comprehensive expenses for the period		(23,434)	(26,992)	(71,964)	(65,156)
(Loss) profit for the period and total comprehensive (expenses) income attributable to:					
Owners of the Company		(23,567)	(27,145)	(71,385)	(65,313)
Non-controlling interests		133	153	(579)	157
		(23,434)	(26,992)	(71,964)	(65,156)
		HK cents	HK cents	HK cents	HK cents
Loss per share					
– basic and diluted	8	(4.46)	(5.14)	(13.51)	(12.36)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	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	–	–	–	(65,313)	(65,313)	157	(65,156)
At 30 September 2015 (unaudited)	5,284	248,175	–	(405,053)	(151,594)	(1,223)	(152,817)
At 1 January 2016 (audited)	5,284	248,175	(8)	(443,826)	(190,375)	(1,395)	(191,770)
Loss for the period	–	–	–	(71,385)	(71,385)	(579)	(71,964)
At 30 September 2016 (unaudited)	5,284	248,175	(8)	(515,211)	(261,760)	(1,974)	(263,734)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2016

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 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 nine months ended 30 September 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 nine months ended 30 September 2016

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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Catering business	10,609	11,041	31,432	35,158
Food manufacturing business	915	8,259	6,657	13,663
Gross proceeds from disposal of held-for-trading investments	–	3,778	304	32,690
	11,524	23,078	38,393	81,511
Revenue				
Catering business	10,609	11,041	31,432	35,158
Food manufacturing business	915	8,259	6,657	13,663
	11,524	19,300	38,089	48,821

For the nine months ended 30 September 2016, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (nine months ended 30 September 2015: 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 2016

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
– obligation under finance leases	17	15	48	53
– other borrowings wholly repayable within five years	457	410	1,327	1,216
– convertible bonds	11,066	14,086	32,873	40,062
– promissory notes payable	487	–	1,783	–
	12,027	14,511	36,031	41,331

5. SHARE OF (LOSS) PROFIT OF JOINT VENTURES

Share of loss of joint ventures for the third quarter of 2016 represents the results for the months July and August 2016 only.

6. 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 2016 and 30 September 2015.

7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 September		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(23,567)	(27,145)	(71,385)	(65,313)
	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	(4.46)	(5.14)	(13.51)	(12.36)

The computation of the diluted loss per share for the 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.

9. COMPARATIVE FIGURES

During the nine months ended 30 September 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 nine months ended 30 September 2016 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$38,393,000 (nine months ended 30 September 2015: approximately HK\$81,511,000), approximately representing a 53% decrease as compared with the last corresponding period. The decrease was mainly due to drop in securities trading and food manufacturing business.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$71,964,000 for the Reporting Period, as compared with a loss of approximately HK\$65,156,000 of the last corresponding period. The increase in loss for the Reporting Period was mainly due to increase in share of losses of joint ventures and associates.

Catering Business

The segmental turnover of the catering business for the Reporting Period was approximately HK\$31,432,000 (nine months ended 30 September 2015: approximately HK\$35,158,000), representing a decrease of approximately 11% 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 during second quarter of the year.

Food Manufacturing Business

The segmental turnover of the food manufacturing business for the Reporting Period was approximately HK\$6,657,000 (nine months ended 30 September 2015: approximately HK\$13,663,000), representing a decrease of approximately 51% as compared with the last corresponding period. As the segment continuous to record an operating loss, the management is considering to streamline the production.

Securities Trading

The gross proceeds on disposal of held-for-trading investments for the Reporting Period was approximately HK\$304,000 (nine months ended 30 September 2015: approximately HK\$32,690,000), 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\$82,000 (nine months ended 30 September 2015: a gain of approximately HK\$2,095,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 30 September 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 September 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"). The holders of the Convertible Bonds have requested the Company to redeem the Convertible Bonds and the Company reached an agreement with the holders of the Convertible Bonds that the Convertible Bonds in the principal amount of at least US\$25,000,000 (equivalent to approximately HK\$194,110,000), together with the interests thereof at an interest rate of 15% per annum, shall be repaid by the Company as soon as possible and be funded by the net proceeds from the Rights Issue (as defined below). The parties are also currently in further negotiations regarding the redemption arrangement of the remaining principal amount of the Convertible Bonds and the repayment of the interests thereof.

For details, please refer to the announcements of the Company dated 3 February 2016 and 19 August 2016 and the circular of the Company dated 26 October 2016.

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. In August 2016, tranche A promissory note has exchanged for tranche A convertible bond in the principal amount of HK\$18,000,000. The tranche B promissory note may be exchanged for the tranche B convertible bond, 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.

Share consolidation

The Company announced on 19 August 2016 to put forward a proposal, to effect a share consolidation which involves the consolidation of every two (2) issued and unissued Shares of par value of HK\$0.01 each into one (1) consolidated Share of par value of HK\$0.02 each (the "Consolidated Share(s)") (the "Share Consolidation").

The Share Consolidation is subject to the approval of the shareholders of the Company (the "Shareholders") at an extraordinary general meeting to be held on 11 November 2016.

For details, please refer to the announcements of the Company dated 19 August 2016, 2 September 2016, 19 September 2016, 30 September 2016 and 17 October 2016 and the circular of the Company dated 26 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Increase in authorised share capital

The Company announced on 19 August 2016 to put forward a proposal, to increase the authorised share capital of the Company from HK\$50,000,000 (divided into 2,500,000,000 Consolidated Shares of par value of HK\$0.02 per Consolidated Share upon the Share Consolidation becoming effective) to HK\$100,000,000 (divided into 5,000,000,000 Consolidated Shares of par value of HK\$0.02 per Consolidated Share) by the creation of an additional 2,500,000,000 unissued Consolidated Shares, which will rank *pari passu* with all Consolidated Shares (the “Increased in Authorised Share Capital”).

The Increased in Authorised Share Capital is subject to the approval of the Shareholders at an extraordinary general meeting to be held on 11 November 2016.

For details, please refer to the announcements of the Company dated 19 August 2016, 2 September 2016, 19 September 2016, 30 September 2016 and 17 October 2016 and the circular of the Company dated 26 October 2016.

FUND RAISING ACTIVITY

Rights Issue

The Company announced on 19 August 2016 to put forward a proposal, to raise not more than approximately HK\$309,090,600, before expenses, by issuing 2,377,620,000 Shares (the “Rights Share(s)”) at a price of HK\$0.13 per Rights Share on the basis of nine (9) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders (as defined in the announcement of the Company dated 19 August 2016) on 23 November 2016 (the “Rights Issue”).

The Rights Shares are fully underwritten by Kingston Securities Limited pursuant to the underwriting agreement dated 19 August 2016 entered into between the Company and Kingston Securities Limited (supplemented by the side letters dated 2 September 2016, 19 September 2016, 30 September 2016 and 17 October 2016).

After deducting the estimated expenses relating to the Rights Issue, the net proceeds from the Rights Issue will amount to approximately HK\$298,000,000 (assuming no further issue of new Shares or repurchase of Shares on or before 23 November 2016). The Company intends to use the net proceeds from the Rights Issue for the redemption of substantial but not the entire amount of the Convertible Bonds and the repayment of the interests thereof.

The Rights Issue is subject to the approval of the Independent Shareholders (as defined in the announcement of the Company dated 19 August 2016) at an extraordinary general meeting to be held on 11 November 2016 and other conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

For details, please refer to the announcements of the Company dated 19 August 2016, 2 September 2016, 19 September 2016, 30 September 2016 and 17 October 2016 and the circular of the Company dated 26 October 2016.

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\$492,552,000 (as at 31 December 2015: approximately HK\$461,585,000) including the bank balances and cash of approximately HK\$1,145,000 (as at 31 December 2015: approximately HK\$2,547,000).

As at 30 September 2016, the Group had other borrowings amounted to HK\$70,500,000 (31 December 2015: HK\$69,200,000) and obligations under finance leases of approximately HK\$1,578,000 (31 December 2015: approximately HK\$2,196,000). The gearing ratio, computed as total liabilities to total assets, is 1.79 at the end of the Reporting Period (31 December 2015: 1.57).

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 September 2016, certain assets with fair value of approximately HK\$249,673,000 (as at 31 December 2015: approximately HK\$258,002,000) were pledged for the Convertible Bonds.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

As at 30 September 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 nine months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$1,660,000. 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 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 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 Company is considering possible alternative arrangement(s) and refund of the Framework Deposit.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 3 February 2016 and 15 August 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 also expended its catering business in Macau through operation of a high-end luxurious Chinese restaurant under the trading name of "Fook Lam Moon" located at Galaxy MacauTM 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 including streamlining the production 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 nine months ended 30 September 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 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 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 Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares and underlying Shares in the capital of the Company

Name of Director	Nature of interests/holding capacity	Number of 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%

OTHER INFORMATION

Save as disclosed above, as at 30 September 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

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

Save as disclosed under section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, as at 30 September 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 nine months ended 30 September 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 September 2016, 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
Upper Run Investments Limited ("Upper Run")	Beneficial owner	101,909,990 Shares* (Note 2)	19.28% (Note 1a)
Ms. Chan Yuen Fan Winky ("Ms. Winky Chan")	Interest through controlled corporation	101,909,990 Shares* (Note 2)	19.28% (Note 1a)

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
Chu Yuet Wah	Interest through controlled corporation	2,446,945,000 underlying Shares* (Note 6)	92.62% (Note 1b)
Kingston Securities Limited	Other	2,377,620,000 underlying Shares*	90.00% (Note 1b)
Galaxy Sky Investments Limited	Interest through controlled corporation	2,377,620,000 underlying Shares*	90.00% (Note 1b)
Kingston Capital Asia Limited	Interest through controlled corporation	2,377,620,000 underlying Shares*	90.00% (Note 1b)
Kingston Financial Group Limited	Interest through controlled corporation	2,377,620,000 underlying Shares*	90.00% (Note 1b)
Active Dynamic Limited	Interest through controlled corporation	2,377,620,000 underlying Shares*	90.00% (Note 1b)
China Merchants Securities Investment Management (HK) Co., Limited ("CMS")	Beneficial owner	346,625,000 underlying Shares* (Note 3)	65.60% (Note 1a)
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	346,625,000 underlying Shares* (Note 3)	65.60% (Note 1a)
China Merchants Securities Company Limited	Interest through controlled corporation	346,625,000 underlying Shares* (Note 3)	65.60% (Note 1a)

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
Wong Ching Ping Alex	Interest through controlled corporation	75,000,000 underlying Shares*	15.12% (Note 1a)
	Beneficial owner	4,880,000 Shares* (Note 4)	
Gomes Maria Da Silva Rubi Angela	Interest of spouse	75,000,000 underlying Shares* 4,880,000 Shares* (Note 5)	15.12% (Note 1a)
Success Century Investments Limited ("Success Century")	Beneficial owner	75,000,000 underlying Shares* (Note 4)	14.19% (Note 1a)
Best China Limited ("Best China")	Beneficial owner	69,325,000 underlying Shares* (Note 6)	13.12% (Note 1a)
Quantum China Asset Management Limited ("Quantum China")	Beneficial owner	68,620,000 Shares*	12.99% (Note 1a)
Bigway Management Limited	Beneficial owner	261,540,000 Shares*	9.90% (Note 1b)
Right Fortune Holdings Limited	Interest through controlled corporation	261,540,000 Shares*	9.90% (Note 1b)
So Ka Chung	Interest through controlled corporation	261,540,000 Shares*	9.90% (Note 1b)
Sunbright Asia Limited	Beneficial owner	261,140,000 Shares*	9.88% (Note 1b)

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
CR Investment Group Limited	Interest through controlled corporation	261,140,000 Shares*	9.88% (Note 1b)
China Ever Grand Financial Leasing Group Co. Ltd.	Interest through controlled corporation	261,140,000 Shares*	9.88% (Note 1b)
Mr. So Chi Ming ("Mr. SCM")	Beneficial owner	9,012,250 Shares*	9.84% (Note 1a)
	Interest through controlled corporation	43,000,000 Shares* (Note 7)	
Ms. Yeung Sau Han Agnes ("Ms. Agnes Yeung")	Interest of spouse	52,012,250 Shares* (Note 8)	9.84% (Note 1a)
Gothic Global Holding Ltd. ("Gothic")	Beneficial owner	51,993,750 underlying Shares* (Note 9)	9.84% (Note 1a)
CLJ Investment Partners Company Limited ("CLJ") (now known as CL Investment Partners Company Limited)	Interest through controlled corporation	51,993,750 underlying Shares* (Note 9)	9.84% (Note 1a)
Chalease Holding Company Limited ("Chalease")	Interest through controlled corporation	51,993,750 underlying Shares* (Note 9)	9.84% (Note 1a)
Yellowstone Financial Advisory Corp. ("Yellowstone")	Interest through controlled corporation	51,993,750 underlying Shares* (Note 9)	9.84% (Note 1a)
Lii Jiunn-Chang	Interest through controlled corporation	51,993,750 underlying Shares* (Note 9)	9.84% (Note 1a)

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
CGI (HK) Limited ("CGI HK")	Beneficial owner	258,920,000 Shares* (Note 10)	9.80% (Note 1b)
CGI (Offshore) Limited ("CGI Offshore")	Interest through controlled corporation	258,920,000 Shares* (Note 10)	9.80% (Note 1b)
Chinese Global Investors Group Limited ("CGI Group")	Interest through controlled corporation	258,920,000 Shares* (Note 10)	9.80% (Note 1b)
Success Way Holdings Limited	Beneficial owner	257,842,000 Shares*	9.76% (Note 1b)
Vingerley Investments Limited	Interest through controlled corporation	257,842,000 Shares*	9.76% (Note 1b)
Union Century China Limited	Beneficial owner	256,000,000 Shares*	9.69% (Note 1b)
Vertical Up Limited	Interest through controlled corporation	256,000,000 Shares*	9.69% (Note 1b)
Tsang Fung Yee	Interest through controlled corporation	256,000,000 Shares*	9.69% (Note 1b)
Chinese Capital Management Limited	Beneficial owner	255,000,000 Shares*	9.65% (Note 1b)
Excel Return Enterprises Limited	Beneficial owner	228,469,750 Shares*	8.64% (Note 1b)
Rich Best Asia Limited	Interest through controlled corporation	251,181,750 Shares*	9.50% (Note 1b)

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
Chinese Strategic Holdings Limited	Interest through controlled corporation	251,181,750 Shares*	9.50% (Note 1b)
Major Ally Investments Limited ("Major Ally")	Beneficial owner	43,000,000 Shares* (Note 7)	8.13% (Note 1a)
Fook Lam Moon Holdings Limited ("FLM Holdings")	Interest through controlled corporation	43,000,000 Shares* (Note 7)	8.13% (Note 1a)
Mr. Chui Pui Kun ("CPK")	Interest through controlled corporation	43,000,000 Shares* (Note 11)	8.13% (Note 1a)
Mrs. Chui Chan Oi Lin Eileen ("Mrs. Eileen Chui")	Interest of spouse	43,000,000 Shares* (Note 12)	8.13% (Note 1a)
Pacific Star Universal Group Ltd. ("Pacific Star")	Beneficial owner	34,662,500 underlying Shares* (Note 13)	6.56% (Note 1a)
Huang Cheng Ming	Interest through controlled corporation	34,662,500 underlying Shares* (Note 13)	6.56% (Note 1a)
Lai Shu-Mei	Interest of spouse	34,662,500 underlying Shares* (Note 14)	6.56% (Note 1a)
Taiping Quantum Prosperity Fund	Beneficial owner	30,505,000 Shares*	5.77% (Note 1a)

* Long Position

OTHER INFORMATION

Notes:

- 1a. As at the Latest Practicable Date, the Company's issued ordinary share capital was HK\$5,283,600 divided into 528,360,000 Shares of HK\$0.01 each.
- 1b. Subsequent to the completion of the Share Consolidation and the Rights Issue, the enlarged issued ordinary share capital would be HK\$52,836,000 dividend into 2,641,800,000 Consolidated Shares of HK\$0.02 each.
2. These Shares were beneficially owned by Upper Run, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Ms. Winky Chan. By virtue of the SFO, Ms. Winky Chan is deemed to be interested in the Shares held by Upper Run. Kingston Finance Limited 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 Finance Limited on 6 February 2013, Kingston Finance Limited has no interests in the Company. At the extraordinary general meeting of the Company held on 3 April 2013, proposals were put forward to the Shareholders 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 and came into effect on 5 April 2013.
3. These underlying Shares represent a maximum of 346,625,000 new Shares that may be issued upon full conversion of the Convertible Bonds which are beneficially owned by CMS whose entire issued share capital is beneficially owned by CMS International which in turn is wholly owned by China Merchants Securities Company Limited. By virtue of the SFO, each of China Merchants Securities Company Limited and CMS International is deemed to be interested in the underlying Shares held by CMS.
4. These underlying Shares represent a maximum of 75,000,000 new Shares that may be issued upon full conversion of the Promissory Notes and Tranche A Convertible Bond and Tranche B Convertible Bond, and in which are beneficially owned by Success Century whose entire issued share capital is beneficially owned by Wong Ching Ping Alex. By virtue of the SFO, Wong Ching Ping Alex is deemed to be interested in the underlying Shares held by Success Century.
5. Gomes Maria Da Silva Rubi Angela is the spouse of Wong Ching Ping Alex. By virtue of the SFO, Gomes Maria Da Silva Rubi Angela is also deemed to be interested in the Shares held by Success Century in which Wong Ching Ping Alex is deemed to be interested as mentioned in Note 4 above.
6. The 69,325,000 underlying Shares represent the maximum number of new Shares that may be issued upon full conversion of the Convertible Bonds which are beneficially owned by Best China whose entire issued share capital is beneficially owned by Chu Yuet Wah. By virtue of the SFO, Chu Yuet Wah is deemed to be interested in the underlying Shares held by Best China.

OTHER INFORMATION

7. 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.
8. 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.
9. These underlying Shares represent a maximum of 51,993,750 new Shares that may be issued upon full conversion of the Convertible Bonds 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. (now known as Chailease Great China SME Fund L.P.). Each of 37.5% of CLJ was owned by Yellowstone, in which is wholly and beneficially owned by Lii Jiunn-Chang, and Chailease International (BVI) Corp. The entire issued share capital of 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 Lii Jiunn-Chang, Yellowstone, CLJ and Chailease is deemed to be interested in the underlying Shares held by Gothic.
10. 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.
11. 50% issued share capital of Major Ally is owned by FLM Holdings which is in turn wholly owned by CPK. By virtue of the SFO, CPK is deemed to be interested in the Shares held by Major Ally.
12. Mrs. Eileen Chui is the spouse of CPK. By virtue of the SFO, Mrs. Eileen Chui is also deemed to be interested in the Shares held by Major Ally in which CPK is deemed to be interested.
13. These underlying Shares represent a maximum of 34,662,500 new Shares that may be issued upon full conversion of the Convertible Bonds which are beneficially owned by Pacific Star whose entire issued share capital is beneficially owned by Huang Cheng Ming. By virtue of the SFO, Huang Cheng Ming is deemed to be interested in the underlying Shares held by Pacific Star.
14. Lai Shu-Mei is the spouse of Huang Cheng Ming. By virtue of the SFO, Lai Shu-Mei is also deemed to be interested in the Shares held by Pacific Star in which Huang Cheng Ming is deemed to be interested.

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 2016 which is required to be recorded pursuant to Section 336 of SFO.

OTHER INFORMATION

Competing Interests

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

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

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

Audit Committee

The Company has established the Audit Committee on 10 June 2003 with revised written terms of reference adopted on 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 third quarterly results for the nine months ended 30 September 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, 8 November 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.