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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)

**DISCLOSEABLE TRANSACTION
DEED OF SETTLEMENT
IN RELATION TO
DISPOSAL OF 100% EQUITY INTEREST IN
POWER TOOL INVESTMENTS LIMITED**

THE DEED OF SETTLEMENT

On 16 August 2017 (after trading hours), Golden Eva, being the Vendor and the Company, entered into the Deed of Settlement with Success Century, being the Purchaser. Pursuant to the Deed of Settlement, the Vendor shall, as beneficial owner of the Target Company, sell and the Purchaser shall purchase (i) the Sale Shares, representing all the shares issued by the Target Company; and (ii) the Sale Loan, at the Consideration of HK\$18,000,000.

Upon execution of the Deed of Settlement, save to carry out and implement the Deed of Settlement, the Parties shall be released and discharged from their respective duties, responsibilities and obligations under and pursuant to the 2015 Sale and Purchase Agreement.

Upon Completion, the Company will no longer have any interests in the Target Company.

GEM LISTING RULES IMPLICATIONS

As certain applicable ratios (as defined in the GEM Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 6 October 2015 and 30 October 2015 in relation to, among others, the Acquisition (as defined below).

On 29 September 2015 (after trading hours), Success Century and Golden Eva, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (as revised and supplemented by the supplemental agreement dated 30 October 2015) (the “**2015 Sale and Purchase Agreement**”), pursuant to which Success Century has conditionally agreed to sell and Golden Eva has conditionally agreed to acquire the entire equity interest in and the shareholder’s loan of Target Company at a maximum consideration of HK\$24,000,000 (the “**Acquisition**”). The consideration of the Acquisition was satisfied by (i) Golden Eva issuing promissory note with principal amount of HK\$18,000,000 (the “**Tranche A Promissory Note**”); and (ii) Golden Eva issuing promissory note with principal amount of HK\$6,000,000 (the “**Tranche B Promissory Note**”).

As set out in the 2015 Sale and Purchase Agreement, the maximum amount of consideration to be paid by Golden Eva was up to HK\$24,000,000, of which HK\$18,000,000 ought to be settled and discharged by Golden Eva in any event, whether or not the balance of the consideration of up to HK\$6,000,000 ought to be paid would be subject to such possible adjustments that in case the audited consolidated net profit after tax of Finest Corporate for the financial year ending 31 December 2016 (the “**PAT for 2016**”) is less than HK\$6,000,000, the balance of the consideration would have to be adjusted downwards by deducting therefrom the sum equivalent to the difference between HK\$6,000,000 and the amount representing the actual PAT for 2016, subject to a maximum deduction of HK\$6,000,000, and hence, the minimum quantum of the consideration would be HK\$18,000,000.

Based on the unaudited management accounts of Finest Corporate for the year ended 31 December 2016, Finest Corporate recorded a net loss after tax of approximately HK\$76,088,982 (subject to audit), which is less than the targeted consolidated net profit after tax of HK\$6,000,000. Pursuant to the 2015 Sale and Purchase Agreement, the consideration of HK\$24,000,000 under the Acquisition shall be adjusted downwards to the sum of HK\$18,000,000 and the Tranche B Promissory Note shall be delivered to Golden Eva for cancellation.

The Acquisition was completed on 6 November 2015 and the Tranche A Promissory Note and Tranche B Promissory Note were issued thereupon. Success Century had surrendered the Tranche A Promissory Note to Golden Eva on 22 August 2016 in exchange for convertible bonds of the Company in the principal amount of HK\$18,000,000 issued by the Company (the “**Tranche A Convertible Bond**”), and the Tranche A Promissory Note was thereby irrevocably cancelled and revoked. The Tranche A Convertible Bond was issued by the Company on 23 August 2016, but no conversion or redemption of any principal amount of the Tranche A Convertible Bond has ever taken place up to the date of this announcement.

THE DEED OF SETTLEMENT

On 16 August 2017 (after trading hours), Golden Eva, being the Vendor and the Company, entered into the Deed of Settlement with Success Century, being the Purchaser. Pursuant to the Deed of Settlement, the Vendor shall, as beneficial owner of the Target Company, sell and the Purchaser shall purchase (i) the Sale Shares, representing all the shares issued by the Target Company; and (ii) the Sale Loan, at the Consideration of HK\$18,000,000.

Major terms of the Deed of Settlement

Date: 16 August 2017 (after trading hours)

Parties: (i) Success Century Investments Limited, a company incorporated in the British Virgin Islands with limited liability, as the Purchaser;

(ii) Golden Eva Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, as the Vendor; and

(iii) the Company.

(collectively, the “**Parties**”)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Purchaser's interest in the Tranche A Convertible Bond and the Tranche B Promissory Note as disclosed in this announcement, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Deed of Settlement, the Vendor shall, as beneficial owner of the Target Company, sell and the Purchaser shall purchase with effect from the execution of the Deed of Settlement the Sale Shares free from all encumbrances and together with all rights now or thereafter attaching or accruing thereto including but not limited to all rights to any dividends paid, declared or made in respect thereof after the execution of the Deed of Settlement at the consideration of HK\$17,999,999.

Pursuant to the Deed of Settlement, the Vendor shall, as beneficial owner of the Target Company, sell and the Purchaser shall purchase with effect from the execution of the Deed of Settlement the Sale Loan free from all encumbrances and together with all rights and benefits of any nature whatsoever now or thereafter attaching or accruing to it, the benefit of which shall be assigned by the Vendor to the Purchaser upon the execution of the Deed of Settlement by virtue of the deed of assignment at the consideration of HK\$1.

As at the date of this announcement, the Sale Loan amounts to HK\$23,885,615.60, which is equivalent to the amount of the shareholder's loan under the Acquisition.

Upon execution of the Deed of Settlement, save to carry out and implement the Deed of Settlement, the Parties shall be released and discharged from their respective duties, responsibilities and obligations under and pursuant to the 2015 Sale and Purchase Agreement.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be HK\$18,000,000, comprising the followings:

- (i) the purchase price for the Sale Loan shall be HK\$1; and
- (ii) the purchase price for the Sale Shares shall be the Consideration less the purchase price for the Sale Loan (i.e. HK\$17,999,999).

Pursuant to the Deed of Settlement, upon execution of the Deed of Settlement, the Purchaser shall return the Tranche B Promissory Note to the Vendor for cancellation.

The Consideration was determined after arm's length negotiations among the Parties taking into account, among other things, (i) the original maximum acquisition cost of HK\$24,000,000 under the Acquisition; (ii) the principal amount of the Tranche A Convertible Bond of HK\$18,000,000; and (iii) the principal amount of the Tranche B Promissory Note of HK\$6,000,000.

The Consideration shall be payable and settled by the Purchaser by delivering to the Company at the request of the Vendor the convertible bond certificate and the convertible bond instrument of the Tranche A Convertible Bond upon the execution of the Deed of Settlement for cancellation by the Company.

Conditions Precedent

No condition precedent has been set out in the Deed of Settlement.

Completion

As at the date of this announcement, Completion has already taken place. Upon Completion, the Company will no longer have any interests in the Target Company and the Sale Loan, and both the Tranche A Convertible Bond and the Tranche B Promissory Note will be cancelled.

Other Terms

Pursuant to the Deed of Settlement, the Vendor shall pay an aggregate sum of HK\$2,500,000 to the Purchaser for full and final settlement and discharge of all sums due and owing from the Vendor to the Purchaser prior to the execution of the Deed of Settlement, including such sums payable by the Vendor under and/or in relation to fund-raising exercises of or conducted by Finest Corporate after Completion. The Parties agree and undertake with each other that any or all damage payable to the Purchaser as compensation for all loss and damage (the "**Prior Loss and Damage**") suffered by the Purchaser prior to the execution of the Deed of Settlement shall be assessed at HK\$2,500,000. Forthwith upon the Vendor's settlement and discharge of the said aggregate sum of HK\$2,500,000, the Prior Loss and Damage suffered by the Purchaser shall be irrevocably extinguished such that such Prior Loss and Damage shall not be paid or payable by the Vendor and/or the Company to the Purchaser. The aggregate sum of the Prior Loss and Damage of HK\$2,500,000 was determined with reference to, among other things, the outstanding balance of approximately HK\$2,487,787 for the rights shares payable by the Target Company to Finest Corporate.

Further, the Vendor shall reimburse the Purchaser's legal costs in the sum of HK\$500,000. The legal costs in the sum of HK\$500,000 was determined after arm's length negotiations among the Vendor and the Purchaser.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability.

The Purchaser is wholly-owned by Mr. Wong Ching Ping, Alex (“**Mr. Wong**”). Mr. Wong graduated from the University of Toronto, Canada, with a master's degree in business administration. Mr. Wong has extensive experience in the financial services sector and in the management of listed companies in Hong Kong.

Mr. Wong and his family (the “**Wong's Family**”) have been investing in the food and beverage industry in PRC since 1990s. The Wong's Family has accumulated extensive experience in the marketing, sales and distribution of food beverage products in PRC and maintained a good relationship with relevant operators.

INFORMATION OF THE TARGET GROUP

As at the date of this announcement, the Target Company is an investment holding company and holds approximately 53.47% of the entire portfolio of issued shares in Magic Circle, which in turn holds approximately 59.51% of the entire portfolio of issued shares in Finest Corporate. Magic Circle and its subsidiaries are engaged in the business of production and distribution of drinking water products.

The primary product of the Finest Corporate Group is KRYSTAL®, a high quality natural alkaline water sourced from the pristine Lesser Khingan Mountains in Heilongjiang, PRC. KRYSTAL® is positioned as a luxury and healthy bottled water targeting the fine water market in the PRC, Hong Kong, Macau, and overseas. The target on-premise client base includes clubs, restaurants, hotels, golf courses and airlines.

The capacity of the water source thereof is 100,000 tonnes per year, and the two production lines are equipped for an annual production of 42,600 tonnes. In 2017, KRYSTAL® was awarded certificates from SGS (an international recognised laboratory), ISO22000:2005 and FSSC22000 for quality accreditation. In 2005, KRYSTAL® has commenced its full production and official launch while the pre-launch for marketing testing has already started in fourth quarter in 2014 in Hong Kong.

FINANCIAL INFORMATION OF THE TARGET GROUP

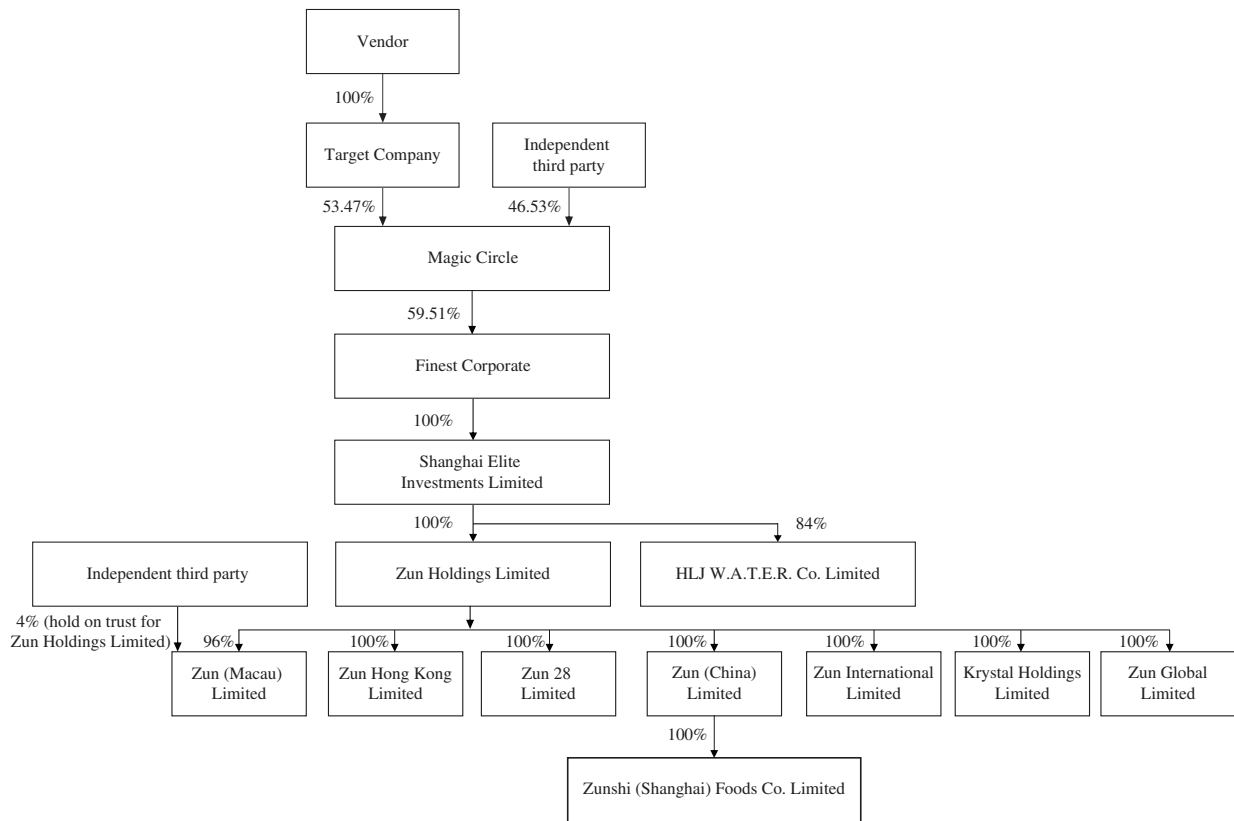
Set out below is the summary of the unaudited consolidated financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the financial years ended 31 December 2015 and 31 December 2016.

	Year ended 31 December 2016 HK\$ <i>approximately</i>	Year ended 31 December 2015 HK\$ <i>approximately</i>
Revenue	nil	nil
Loss before taxation	26,670,357	677,342
Loss after taxation	26,670,357	677,342
Net liability	21,749,282	4,921,075

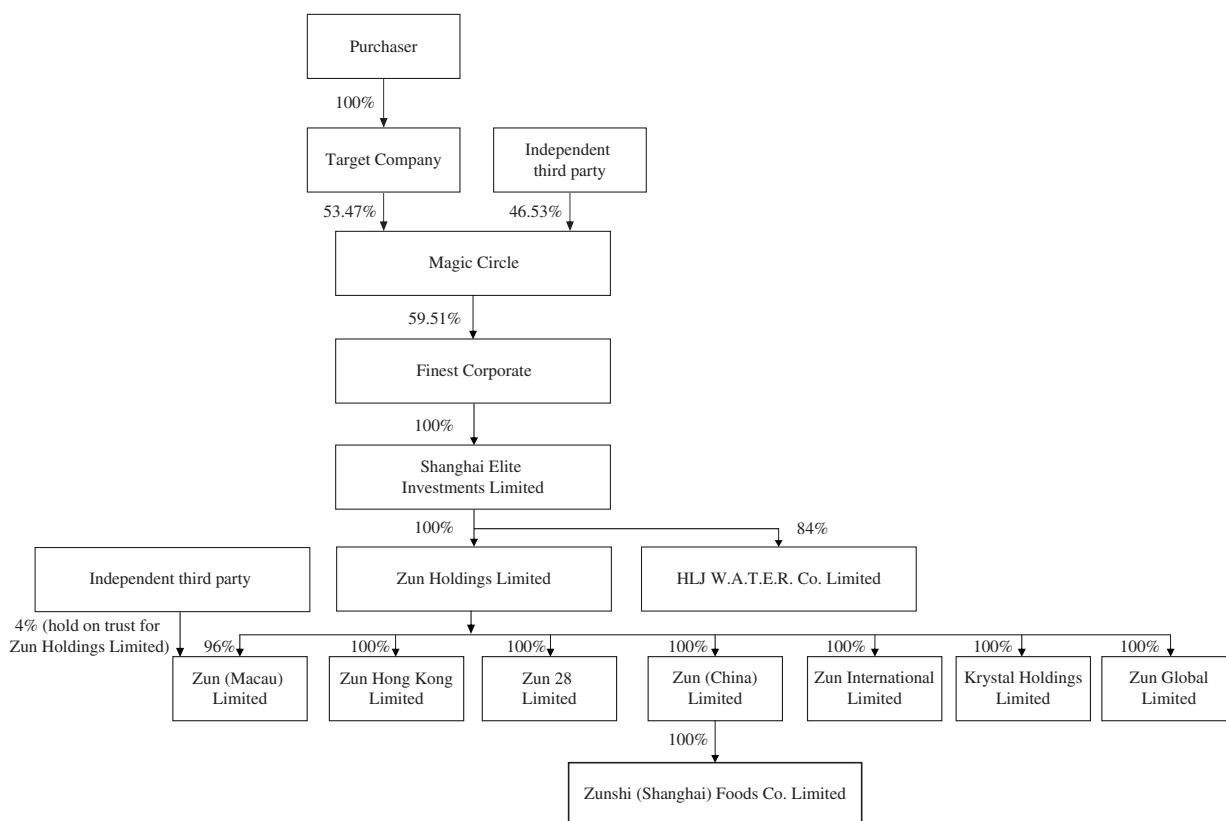
As at the date of this announcement, the Target Company is an investment holding company and Magic Circle, a company owned as to 53.47% by the Target Company, is classified as an investment in an associate in the accounts of the Target Company. Accordingly, the operating results of Magic Circle and its subsidiaries have not been consolidated into the accounts of the Target Company.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP

(i) Immediately prior to Completion



(ii) Immediately upon Completion



REASONS FOR AND BENEFITS OF ENTERING INTO THE DEED OF SETTLEMENT

The Company is an investment holding company. The Group is principally engaged in catering business, food manufacturing business and securities trading.

Based on the audited consolidated statement of profit or loss and other comprehensive income of the Company, the Company recorded a net loss after tax of approximately HK\$104,101,000 and approximately HK\$109,867,000 for the years ended 31 December 2015 and 2016 respectively. Further, as disclosed in the annual report of the Company for the year ended 31 December 2016, as at 31 December 2016, the Company was in a net deficit position of approximately HK\$4,364,000.

In view of the financial position of the Group, the Directors consider that the entering into of the Deed of Settlement and the transactions contemplated thereunder will in effect release and discharge the Group from its duty, responsibility and obligation under and pursuant to the 2015 Sale and Purchase Agreement including but not limited to its repayment obligation under the Tranche A Convertible Bond and the Tranche B Promissory Note. It is expected that the entering into of the Deed of Settlement will lower the Group's debt position. Further, the Directors consider that the Disposal allows the Group to streamline its business so as to focus its financial resources on other businesses of the Group.

In view of the above, the Directors consider that the terms of the Deed of Settlement (including the Disposal) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Company will no longer have any interests in the Target Company.

Subject to audit, it is expected that the Group would record a gain on disposal of approximately HK\$12,066,000 as calculated by the carrying value of the Tranche A Convertible Bond of approximately HK\$16,745,000, the unaudited net liabilities of the Target Group of approximately HK\$23,758,000 and other reserve of approximately HK\$1,551,000 as at 30 June 2017, the Sale Loan of approximately HK\$23,886,000, and deducting the aggregated sum of HK\$3,000,000 to be paid by the Vendor to the Purchaser.

Based on the above, it is expected that the Disposal would not have material impact on the consolidated statement of the financial position of the Group.

GEM LISTING RULES IMPLICATIONS

As certain applicable ratios (as defined in the GEM Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board”	the board of Directors
“Company”	Chinese Food and Beverage Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the transactions contemplated under the Deed of Settlement, which has already taken place as at the date of this announcement
“Consideration”	the aggregate consideration of HK\$18,000,000 for the sale and purchase of the Sale Shares and the Sale Loan
“Deed of Settlement”	the deed of settlement entered into between the Purchaser, the Vendor and the Company dated 16 August 2017 in relation to, among other things, the settlement of the liabilities under the Tranche A Convertible Bond
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and Sale Loan by the Vendor to the Purchaser subject to and upon the terms and conditions of the Deed of Settlement
“Finest Corporate”	Finest Corporate Limited, a company incorporated in the British Virgin Islands with limited liability, and is owned directly as to approximately 59.51% by Magic Circle and indirectly owned as to approximately 31.82% by the Target Company as at the date of this announcement
“Finest Corporate Group”	Finest Corporate and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Magic Circle”	Magic Circle Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and is owned as to 53.47% by the Target Company as at the date of this announcement
“PRC”	the People’s Republic of China
“Purchaser” or “Success Century”	Success Century Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Loan”	the shareholder’s loan in the sum of HK\$23,885,615.60, being the aggregate of all the outstanding indebtedness owing by the Target Company to the Vendor as at the date of the Deed of Settlement
“Sale Shares”	the 100 shares of the Target Company representing all the shares issued by the Target Company as at the date of the Deed of Settlement
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Power Tool Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor” or “Golden Eva”	Golden Eva Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent.

By order of the Board
CHINESE FOOD AND BEVERAGE GROUP LIMITED
Chow Cheuk Hang
Executive Director

Hong Kong, 16 August 2017

As at the date of this announcement, Mr. Lam Raymond Shiu Cheung, Mr. Chow Cheuk Hang and Mr. Yuen Koon Tung are executive Directors; Mr. Yeung Wai Hung, Peter, Mr. Kam Tik Lun, Mr. Ho Siu King Stanley and Mr. Ma Stephen Tsz On are independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement 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.