



2018
Interim Report



Chinese Food And Beverage Group Limited
華人飲食集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8272



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This report, for which the directors of Chinese Food and Beverage Group Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the 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 there are no other matters the omission of which would make any statement herein or this report misleading.

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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 2018. The unaudited interim results for the six months ended 30 June 2017 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations					
Revenue	3	956	9,286	12,328	20,331
Cost of Sales		(1,425)	(5,984)	(8,490)	(12,526)
Gross (loss) profit		(469)	3,302	3,838	7,805
Other operating income		231	395	573	793
Other gains and losses	4	318	180	933	226
Selling and distribution expenses		(1,048)	(2,262)	(2,722)	(4,237)
Administrative and other operating expenses		(4,010)	(4,840)	(8,736)	(10,582)
Finance costs	5	(3,523)	(4,406)	(7,038)	(8,715)
Share of loss of joint ventures		(1,349)	(2,272)	(152)	(1,674)
Share of loss of associates		–	(898)	–	(1,693)
Loss before tax		(9,850)	(10,801)	(13,304)	(18,077)
Income tax expense	6	–	–	–	–
Loss for the period from continuing operations		(9,850)	(10,801)	(13,304)	(18,077)
Discontinued operation					
Loss for the period from discontinued operation	7	–	(609)	–	(1,433)
Loss for the period	8	(9,850)	(11,410)	(13,304)	(19,510)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

Notes	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other comprehensive income (expense) for the period, net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Share of translation reserve of associates	–	41	–	(315)
Total comprehensive expense for the period	(9,850)	(11,369)	(13,304)	(19,825)
Loss for the period attribute to owners of the Company				
– from continuing operations	(9,672)	(10,611)	(13,299)	(17,998)
– from discontinued operation	–	(609)	–	(1,302)
	(9,672)	(11,220)	(13,299)	(19,300)
Loss for the period attribute to non-controlling interests				
– from continuing operations	(178)	(190)	(5)	(79)
– from discontinued operation	–	–	–	(131)
	(178)	(190)	(5)	(210)
	(9,850)	(11,410)	(13,304)	(19,510)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Total comprehensive expense for the period attribute to:					
Owners of the Company		(9,672)	(11,179)	(13,299)	(19,615)
Non-controlling interests		(178)	(190)	(5)	(210)
		(9,850)	(11,369)	(13,304)	(19,825)
Loss per share	10	HK cents	HK cents	HK cents	HK cents
From continuing and discontinued operations – basic and diluted		(0.31)	(0.42)	(0.42)	(0.73)
From continuing operations – basic and diluted		(0.31)	(0.40)	(0.42)	(0.68)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Non-current assets			
Plant and equipment		6,458	2,016
Interests in joint ventures		71,068	71,220
		77,526	73,236
Current assets			
Inventories		–	966
Trade and other receivables	11	36,274	36,401
Deposits paid		–	20,000
Bank balances and cash		986	2,870
		37,260	60,237
Assets classified as held for sale		135,129	135,129
		172,389	195,366
Current liabilities			
Trade and other payables	12	95,305	126,521
Earnest money received		20,000	–
Other borrowings		70,000	70,000
Obligations under finance leases – current portion		440	585
Convertible bonds		97,912	91,789
		283,657	288,895
Net current liabilities		(111,268)	(93,529)
Total assets less current liabilities		(33,742)	(20,293)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Non-current liabilities			
Obligations under finance leases – non-current portion		140	285
Net liabilities		(33,882)	(20,578)
Capital and reserves			
Share capital	13	63,403	63,403
Reserves		(93,906)	(80,607)
Equity attributable to owners of the Company		(30,503)	(17,204)
Non-controlling interests		(3,379)	(3,374)
Total deficits		(33,882)	(20,578)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company					Non-		
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Controlling interest HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	52,836	498,210	914	(1,236)	(552,530)	(1,806)	(2,558)	(4,364)
Loss and total comprehensive expense for the period	-	-	-	-	(19,615)	(19,615)	(210)	(19,825)
At 30 June 2017 (unaudited)	52,836	498,210	914	(1,236)	(572,145)	(21,421)	(2,768)	(24,189)
At 1 January 2018 (audited)	63,403	497,676	-	-	(578,283)	(17,204)	(3,374)	(20,578)
Loss and total comprehensive expense for the period	-	-	-	-	(13,299)	(13,299)	(5)	(13,304)
At 30 June 2018 (unaudited)	63,403	497,676	-	-	(591,582)	(30,503)	(3,379)	(33,882)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,451)	(3,733)
Net cash from investing activities	14,942	391
Net cash (used in) from financing activities	(14,375)	1,695
Net decrease in cash and cash equivalents	(1,884)	(1,647)
Cash and cash equivalents at beginning of the period	2,870	2,388
Cash and cash equivalents at end of the period	986	741
Represented by:		
Bank balances and cash	986	741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on GEM of the Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 2101, Yue Xiu Building, No.160-174 Lockhart Road, Wan Chai, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its subsidiaries are catering business and securities trading.

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 2018 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the turnover from catering business during the period.

An analysis of the Group's revenue, results and total assets and liabilities by reportable and operating segment is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue				
Continuing operation				
– Catering business	956	9,286	12,328	20,331
Discontinued operation				
– Food manufacturing business	–	–	–	–
	956	9,286	12,328	20,331
Segment result				
Continuing operations				
– Catering business	(2,713)	(311)	(1,853)	278
– Securities trading	(37)	(44)	(82)	(152)
	(2,750)	(355)	(1,935)	126
Discontinued operation				
– Food manufacturing business	–	(609)	–	(1,433)
	(2,750)	(964)	(1,935)	(1,307)
Reversal of impairment loss in respect of other receivables	350	180	965	280
Loss on written-off of plant and equipment	(32)	–	(32)	–
Share of loss of associates	–	(898)	–	(1,693)
Share of loss of joint ventures	(1,349)	(2,272)	(152)	(1,674)
Finance costs	(3,523)	(4,406)	(7,038)	(8,715)
Unallocated corporate income	231	395	573	793
Unallocated corporate expenses	(2,777)	(3,445)	(5,685)	(7,194)
Loss before tax	(9,850)	(11,410)	(13,304)	(19,510)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Segment assets		
Continuing operations		
– Catering business	11,692	9,005
– Securities trading	338	418
	12,030	9,423
Unallocated corporate assets	237,885	259,179
	249,915	268,602
Segment liabilities		
Continuing operation		
– Catering business	11,677	9,049
Unallocated corporate liabilities	272,120	280,131
	283,797	289,180

For the six months ended 30 June 2018, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (six months ended 30 June 2017: 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 six months ended 30 June 2018

4. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Loss on written-off of plant and equipment	(32)	–	(32)	–
Loss on disposal of held-for-trading investments	–	–	–	(54)
Reversal of impairment loss recognised in respect of other receivables	350	180	965	280
	318	180	933	226

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest on:				
– obligation under finance leases	4	8	10	18
– other borrowings	440	487	905	959
– convertible bonds	3,079	3,911	6,123	7,738
	3,523	4,406	7,038	8,715

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 six months ended 30 June 2018 and 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

7. DISCONTINUED OPERATION

On 31 March 2017, the Directors resolved to cease the food manufacturing business in order to focus the Group's resources in its remaining businesses.

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss of food manufacturing operation for the period attributable to:				
Owners of the Company	–	(609)	–	(1,302)
Non-controlling interests	–	–	–	(131)
Loss for the period	–	(609)	–	(1,433)

The results of the food manufacturing business for the period ended 30 June 2017, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Other income	–	–	–	42
Loss on written-off of plant and equipment	–	(392)	–	(392)
Selling and distribution expenses	–	(132)	–	(990)
Administrative and other operating expenses	–	(83)	–	(89)
Finance costs	–	(2)	–	(4)
Loss for the period from discontinued operation	–	(609)	–	(1,433)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

7. DISCONTINUED OPERATION *(Continued)*

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from discontinued operation				
Net cash flows used in operation activities	–	(242)	–	(89)
Net cash flows used in financing activities	–	(2)	–	(4)
	–	(244)	–	(93)

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Staff cost (including Directors' emoluments)				
– salaries, bonuses and allowances	1,646	4,529	5,511	9,410
– retirement benefit scheme contributions	84	260	346	584
	1,730	4,789	5,857	9,994
Cost of inventories recognised as expenses	395	2,903	3,995	6,307
Depreciation of plant and equipment	372	395	660	792
Operating lease rentals in respect of rented premises	1,275	2,018	3,263	4,036

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

9. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

10. LOSS PER SHARE

From continuing and discontinued operations

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(9,672)	(11,220)	(13,299)	(19,300)
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares in issue	3,170,160	2,641,800	3,170,160	2,641,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. LOSS PER SHARE (Continued)

From continuing operations

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(9,672)	(11,220)	(13,299)	(19,300)
Less: Loss for the period from discontinued operation	—	(609)	—	(1,302)
Loss for the purposes of basic and diluted loss per share from continuing operations	(9,672)	(10,611)	(13,299)	(17,998)

The denominators used are the same as those detailed above for basic and diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

The sales in catering and food manufacturing business are mainly conducted in cash or by credit cards. Certain customers are granted credit period from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and other receivable balances. Trade receivables are non-interest bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0 – 30 days	–	719
31 – 60 days	–	308
61 – 90 days	80	283
91 – 120 days	227	315
Over 120 days but less than one year	3,147	3,179
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	3,454	4,804
Amounts due from joint ventures	26,634	26,678
Other receivables	6,186	4,919
	<hr/>	<hr/>
	36,274	36,401

12. 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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0 – 30 days	10	1,024
31 – 60 days	11	759
61 – 90 days	158	715
91 – 120 days	809	520
Over 120 days but less than one year	3,120	906
	<hr/>	<hr/>
	4,108	3,924
Amounts due to joint ventures	64,426	98,511
Other payables	26,771	24,086
	<hr/>	<hr/>
	95,305	126,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares			
At 1 January 2018 and 30 June 2018	0.02	5,000,000	100,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2018 and 30 June 2018	0.02	3,170,160	63,403

14. COMPARATIVE FIGURES

During the six months ended 30 June 2018, 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 the last corresponding period to achieve comparability with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2018 (the “Reporting Period”), the Group recorded a revenue of approximately HK\$12,328,000 (six months ended 30 June 2017: approximately HK\$20,331,000), representing a 39% decrease as compared with the last corresponding period.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$13,304,000 for the Reporting Period, as compared with a loss of approximately HK\$19,510,000 of the last corresponding period. The decrease in loss for the Reporting Period was mainly due to decrease in selling and distribution expenses, administrative and other operating expenses, finance costs and share of losses of joint ventures and associates.

Catering Business

The segmental revenue of the catering business for the Reporting Period was approximately HK\$12,328,000 (six months ended 30 June 2017: approximately HK\$20,331,000), representing a decrease of approximately 39% as compared with the last corresponding period. The temporary decrease in this business was due to the restaurant operated by the Group in Wanchai (formerly known as Guo Fu Lou (國福樓)) had been renovated in early April of 2018 and resumed the business in early July of 2018 with a new brand called Fooklore (享福).

Securities Trading

There was no gross proceeds from disposal of held-for-trading investments for the Reporting Period (six months ended 30 June 2017: approximately HK\$357,000).

CAPITAL STRUCTURE

There was no change in the Company’s capital structure during the Reporting Period.

As at 30 June 2018, the Company’s issued share capital was HK\$63,403,200 and the number of its issued ordinary shares was 3,170,160,000 shares of HK\$0.02 each (the “Shares”).

SIGNIFICANT INVESTMENTS

Save as those disclosed in this report, there were no other significant investments held by the Group during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group has principally financed its operations by internal resources. The Reporting Period ended with the net current liabilities of approximately HK\$111,268,000 (as at 31 December 2017: approximately HK\$93,529,000) including the bank balances and cash of approximately, HK\$986,000 (as at 31 December 2017: approximately HK\$2,870,000).

As at 30 June 2018, the Group had other borrowings amounted to approximately HK\$70,000,000 (31 December 2017: approximately HK\$70,000,000) and obligation under finance leases of approximately HK\$580,000 (31 December 2017: approximately HK\$870,000). The gearing ratio, computed as total liabilities to total assets, is 1.14 at the end of the Reporting Period (31 December 2017: 1.08).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 34 employees as compared with 69 employees in the last corresponding period. Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$5,857,000 (six months ended 30 June 2017: approximately HK\$9,994,000).

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.

CHARGE ON GROUP'S ASSETS

As at 30 June 2018, certain assets with fair value of approximately HK\$206,708,000 (as at 31 December 2017: approximately HK\$226,843,000) were pledged for the convertible bonds.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liability.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Possible Disposal of Professional Guide Enterprise Limited

References are made to the announcements of the Company dated 12 July 2017, 1 September 2017 and 29 September 2017 in relation to, among other things, the possible disposal of 30% of the issued shares in Professional Guide Enterprise Limited ("Professional Guide") by Rich Paragon Limited ("Rich Paragon", an indirectly wholly-owned subsidiary of the Company) to Coqueen Company Limited ("Coqueen") for the settlement of the outstanding principal amount of the Convertible Bonds of US\$10,552,756 and all interest accrued and to be accrued thereon.

On 11 December 2017, the Company entered into the sale and purchase agreement to dispose of 31% equity interest in Fook Lam Moon Restaurant Limited, Fook Lam Moon (Kowloon) Restaurant Limited and Fook Lam Moon F&B Management Limited at a consideration of HK\$173,920,000 ("Possible Disposal"), in which constituted a very substantial disposal and connected transaction of the Company. A circular setting out, among other things, details of the above matters was published on 28 February 2018.

An extraordinary general meeting of the Company was held on 19 March 2018, the Possible Disposal has been approved by the shareholders of the Company and it is expected to be completed in due course of 2018.

For details, please refer to the announcements of the Company dated 12 July 2017, 1 September 2017, 29 September 2017, 7 November 2017, 11 December 2017, 2 January 2018, 1 March 2018, 19 March 2018, 29 March 2018, 31 May 2018, 15 June 2018, 16 July 2018, 18 July 2018, 20 July 2018 and 31 July 2018; and the circular of the Company dated 28 February 2018.

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 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCE TO ENTITY

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. During the Reporting Period, the Group totally received approximately HK\$965,000. The Group will proceed to recover the outstanding amount in reliance on legal advice.

PROSPECT AND OUTLOOK

The Group has been principally engaged in the local catering business. It is the Group’s corporate strategy to explore other industries with good business potential and growth prospects, including but not limited to, the food and beverage industry in the PRC.

Fooklore (享福)

One of the current key businesses of the Group is the catering business. The Group operated its catering business in the name of Fooklore (享福) (formerly known as 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 restaurant had been renovated in early April of 2018 and resumed the business in early July of 2018, therefore, the revenue of the Group in the second quarter was affected. The new branded restaurant features signature dishes from the former Guo Fu Lou, as well as the addition of new menu items, with the main objective to retain regular customers and attract more Mainland Chinese customers. It is expected that the renovation will enhance the revenue and profit of the Group by accommodating more private dining rooms to increase the average spending of each customer.

Fook Lam Moon

On 11 December 2017 (after trading hours), Rich Paragon, as vendor, the Company, Professional Guide, Coqueen, Flame Soar Limited (the “SPV”), Fortunate Soar International Limited (the “Purchaser”) and the FLM Directors (i.e. Mr. Chui Pui Kun and Mr. Chui Tak Keung, Duncan) (together, the “Parties”) entered into the sale and purchase agreement, pursuant to which (i) the Parties shall carry out the restructuring; and (ii) Rich Paragon shall sell and assign the sale shares, representing 31% of the entire portfolio of issued shares in the SPV together with all rights and interests attached thereto, to the Purchaser at the consideration of HK\$173,920,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The aforesaid transaction was approved at an extraordinary general meeting of the Company held on 19 March 2018 and it is expected to be completed in due course of 2018.

Upon completion of the sale and purchase agreement, the Company shall be interested in 19% of the entire portfolio of issued shares in the SPV and the SPV will be regarded as an investment and will no longer be a joint venture of the Company.

For details, please refer to the announcements of the Company dated 11 December 2017, 2 January 2018, 1 March 2018, 19 March 2018, 29 March 2018, 31 May 2018, 15 June 2018, 16 July 2018, 18 July 2018, 20 July 2018 and 31 July 2018; and the circular of the Company dated 28 February 2018.

Other catering business

The Company has, from time to time, reviewed business projects and looking for other investment opportunities in the catering and food processing industry in Hong Kong, aiming at exploring the feasibility of further expansion in the catering business, including but not limited to opening up new restaurants and food-related business.

OTHER INFORMATION

LITIGATIONS

Reference is made to the claim by Megamillion Asia Limited ("Megamillion"), an indirect wholly-owned subsidiary of the Company, against Cheong Tat International Development Limited ("Cheong Tat") the particulars of which have been disclosed at pages 9 to 10 of the annual report of the Company for the financial year ended 30 April 2013. Megamillion had obtained judgment against Cheong Tat on (i) principal amount of the loan and interest accrued thereon (the "Loan Amount"), and (ii) the amount for redemption of the convertible bond (the "Redemption Amount").

Cheong Tat and Megamillion entered into a deed of settlement dated 31 December 2013 (the "Deed of Settlement") under and pursuant to which Cheong Tat transferred certain portfolio of shares in a Hong Kong listed company for full and final settlement of the Loan Amount.

Subject to legal advice and pending ascertainment that Cheong Tat has assets available for execution, Megamillion will proceed to recover the Redemption Amount.

Save as disclosed above, as at the date of this report, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group and that the Company will disclose any Megamillion's recovery action and other litigation matters of material importance wherever appropriate or necessary.

On 11 May 2018, the Company received a statutory demand issued by the legal representative of China Merchants Securities Investment Management (HK) Co., Limited (the "Creditor") demanding the Company to pay the outstanding debt in the principal amount of US\$7,044,967.19 and interest in the sum of US\$1,181,475.95.

The Company expected that upon completion of the Possible Disposal, the aforesaid debt will be settled. The Company has informed the Creditor on the abovementioned repayment schedule of the debt and is negotiating on the arrangement for the repayment. For details, please refer to the announcement of the Company dated 17 May 2018 and further announcement(s) will be made by the Company as and when appropriate.

OTHER INFORMATION

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 2018, 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 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 of HK\$0.02 each in the capital of the Company

Name of Director	Nature of interests/ holding capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interests in the Company's issued share capital
Mr. Yeung Wai Hung, Peter	Personal	137,500	–	137,500	0.004

Save as disclosed above, as at 30 June 2018, 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 Exchange pursuant to Rules 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 June 2018, 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 2018, 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.

OTHER INFORMATION

Substantial Shareholders and Other Persons with Interests and Short Positions in the Shares and Underlying Shares

As at 30 June 2018, 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
China Merchants Securities Investment Management (HK) Co., Limited ("CMS")	Beneficial owner	346,625,000 underlying Shares* (Notes 2 and 6)	65.60% (Note 1)
China Merchants Securities International Company Limited ("CMS International")	Interest through controlled corporation	346,625,000 underlying Shares* (Notes 2 and 6)	65.60% (Note 1)
China Merchants Securities Company Limited	Interest through controlled corporation	346,625,000 underlying Shares* (Notes 2 and 6)	65.60% (Note 1)
Gothic Global Holding Ltd. ("Gothic")	Beneficial owner	51,993,750 underlying Shares* (Notes 3 and 7)	9.84% (Note 1)
CLJ Investment Partners Company Limited ("CLJ") (now known as CL Investment Partners Company Limited)	Interest through controlled corporation	51,993,750 underlying Shares* (Notes 3 and 7)	9.84% (Note 1)
Chailease Holding Company Limited ("Chailease")	Interest through controlled corporation	51,993,750 underlying Shares* (Notes 3 and 7)	9.84% (Note 1)
Yellowstone Financial Advisory Corp. ("Yellowstone")	Interest through controlled corporation	51,993,750 underlying Shares* (Notes 3 and 7)	9.84% (Note 1)
Lii Jiunn-Chang	Interest through controlled corporation	51,993,750 underlying Shares* (Notes 3 and 7)	9.84% (Note 1)

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
Pacific Star Universal Group Ltd. ("Pacific Star")	Beneficial owner	34,662,500 underlying Shares* (Notes 4 and 7)	6.56% (Note 1)
Huang Cheng Ming (Note 5)	Interest through controlled corporation	34,662,500 underlying Shares* (Notes 4 and 7)	6.56% (Note 1)
Lai Shu-Mei (Note 5)	Interest of spouse	34,662,500 underlying Shares* (Notes 4 and 7)	6.56% (Note 1)

* Long Positions

Notes:

- Before the share consolidation and issuance of rights issue both effected in November 2016, the former issued ordinary share capital of the Company was HK\$5,283,600 divided into 528,360,000 shares of HK\$0.01 each.
- 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. The Company had repaid the partial repayment of the Convertible Bonds as per the Company's announcement dated 23 December 2016.
- 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. The Company had repaid the partial repayment of the Convertible Bonds as per the Company's announcement dated 23 December 2016.

OTHER INFORMATION

4. 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. The Company had repaid the partial repayment of the Convertible Bonds as per the Company's announcement dated 23 December 2016.
5. 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.
6. According to the forms of disclosure of interests filed by the shareholders on 31 March 2014.
7. According to the forms of disclosure of interests filed by the shareholders on 18 December 2014.

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 2018 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 2018, there was no share option granted, exercised, cancelled or lapsed under the share option schemes and no share option remained outstanding at the beginning and at the end of the Reporting Period under the share option schemes of the Company.

Change in Information on Directors

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

Mr. Yuen Koon Tung was re-designated from independent non-executive director to executive director of Trillion Grand Corporate Company Limited (stock code: 8103), a company listed on GEM, with effect from 20 July 2018.

Mr. Yeung Wai Hung, Peter resigned as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Exchange, with effect from 2 June 2018.

OTHER INFORMATION

Mr. Ho Siu King Stanley was appointed an independent non-executive director of Trillion Grand Corporate Company Limited (stock code: 8103), a company listed on GEM, with effect from 20 July 2018.

Mr. Ma Stephen Tsz On was appointed an independent non-executive director of Trillion Grand Corporate Company Limited (stock code: 8103), a company listed on GEM, with effect from 20 July 2018.

Competing Interests

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

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

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

Corporate Governance

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

Code Provision A.2.1

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

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

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

OTHER INFORMATION

Directors' Securities Transactions

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

Audit Committee

The Company established an audit committee (the "Audit Committee") on 10 June 2003 with latest 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 four members comprising all the four independent non-executive Directors; namely, Mr. Kam Tik Lun, Mr. Yeung Wai Hung, Peter, Mr. Ho Siu King Stanley and Mr. Ma Stephen Tsz On. The chairman of the Audit Committee is Mr. Kam Tik Lun, who has appropriate professional qualifications and experience in accounting matters.

The unaudited interim results for the six months ended 30 June 2018 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
Chow Cheuk Hang
Executive Director

Hong Kong, 9 August 2018

As at the date of this report, Mr. Chow Cheuk Hang, Mr. Yuen Koon Tung and Mr. Lam Raymond Shiu Cheung 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.