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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 announcement, 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 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 announcement 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 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.

The board of Directors of the Company (the "Board") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with the comparative figures for the previous corresponding period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	4	**50,941**	62,097
Cost of sales		**(39,861)**	(47,253)
Gross profit		**11,080**	14,844
Other operating income	6	**2,728**	545
Other gains and losses	7	**391**	(10,913)
Change in fair value of derivative financial liability		**16,871**	(4,084)
Change in fair value of derivative components of convertible bonds		**–**	99,637
Written-off of inventories		**(1,108)**	(1,630)
Loss on early redemption of convertible bonds		**–**	(60,532)
Gain on bargain purchase		**–**	1,860
Selling and distribution expenses		**(16,916)**	(20,883)
Administrative and other operating expenses		**(31,752)**	(34,387)
Finance costs	8	**(56,625)**	(91,869)
Share of loss of associates		**(25,438)**	(669)
Share of loss of joint ventures		**(9,098)**	(6,024)
Loss before tax		**(109,867)**	(114,105)
Income tax credit	9	**–**	10,004
Loss for the year	10	**(109,867)**	(104,101)
Other comprehensive expense for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Share of translation reserve of associates		**(1,228)**	(8)
Total comprehensive expense for the year		**(111,095)**	(104,109)
Loss for the year attributable to:			
– Owners of the Company		**(108,704)**	(104,086)
– Non-controlling interests		**(1,163)**	(15)
		(109,867)	(104,101)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(109,932)**	(104,094)
– Non-controlling interests		**(1,163)**	(15)
		(111,095)	(104,109)
			(Restated)
Loss per share			
– Basic and diluted	12	**(HK27.16 cents)**	(HK30.28 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Plant and equipment		**4,391**	15,291
Interests in associates		**6,129**	28,807
Interests in joint ventures		**212,525**	221,623
Deposits paid		**–**	20,000
Contingent consideration receivable		**–**	4,731
		223,045	290,452
Current assets			
Inventories		**1,262**	3,290
Trade and other receivables	13	**36,085**	42,243
Deposits paid		**20,000**	–
Held-for-trading investments		**411**	–
Bank balances and cash		**2,388**	2,547
		60,146	48,080
Current liabilities			
Trade and other payables	14	**117,835**	96,762
Other borrowings		**70,500**	69,200
Obligations under finance leases – current portion		**569**	611
Convertible bonds		**97,781**	325,307
Derivative financial liability		**–**	17,785
		286,685	509,665
Net current liabilities		**(226,539)**	(461,585)
Total assets less current liabilities		**(3,494)**	(171,133)
Non-current liabilities			
Obligations under finance leases – non-current portion		**870**	1,585
Promissory notes payable		**–**	18,925
Deferred income		**–**	127
		870	20,637
Net liabilities		**(4,364)**	(191,770)
Capital and reserves			
Share capital		**52,836**	5,284
Reserves		**(54,642)**	(195,659)
Equity attributable to owners of the Company		**(1,806)**	(190,375)
Non-controlling interests		**(2,558)**	(1,395)
Total deficits		**(4,364)**	(191,770)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Convertible bonds reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2015	5,284	248,175	–	–	(339,740)	(86,281)	(1,464)	(87,745)
Loss for the year	–	–	–	–	(104,086)	(104,086)	(15)	(104,101)
Other comprehensive expense for the year, net of income tax								
Item that may be reclassified subsequently to profit or loss:								
Share of translation reserve of associates	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive expense for the year	–	–	–	(8)	(104,086)	(104,094)	(15)	(104,109)
Capital contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	84	84
At 31 December 2015	5,284	248,175	–	(8)	(443,826)	(190,375)	(1,395)	(191,770)
Loss for the year	**–**	**–**	**–**	**–**	**(108,704)**	**(108,704)**	**(1,163)**	**(109,867)**
Other comprehensive expense for the year, net of income tax								
Item that may be reclassified subsequently to profit or loss:								
Share of translation reserve of associates	**–**	**–**	**–**	**(1,228)**	**–**	**(1,228)**	**–**	**(1,228)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,228)**	**(108,704)**	**(109,932)**	**(1,163)**	**(111,095)**
Recognition of equity component of convertible bonds	**–**	**–**	**914**	**–**	**–**	**914**	**–**	**914**
Ordinary shares issued in respect of rights issue	**47,552**	**261,538**	**–**	**–**	**–**	**309,090**	**–**	**309,090**
Transaction costs attributable to rights issue	**–**	**(11,503)**	**–**	**–**	**–**	**(11,503)**	**–**	**(11,503)**
At 31 December 2016	**52,836**	**498,210**	**914**	**(1,236)**	**(552,530)**	**(1,806)**	**(2,558)**	**(4,364)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Chinese Food and Beverage Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. Its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Room 2101, Yue Xiu Building, No.160-174 Lockhart Road, Wan Chai, Hong Kong.

The principal activities of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the "Group") were catering business, food manufacturing business and securities trading.

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

2. BASIS OF PREPARATION

The Group incurred a loss for the year attributable to owners of the Company of approximately HK$108,704,000 for the year ended 31 December 2016 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$226,539,000 and HK$4,364,000, respectively.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2016 after taking into consideration of the following measures:

(a) The Group has enforced cost-saving measures to reduce the operating expenses. Administrative and other operating expenses were reduced by 7.7% and the finance costs were reduced by 38.4%, as compared with year 2015;

(b) The carrying amount of the convertible bonds payable is substantially reduced from HK$325,307,000 at 31 December 2015 to HK$97,781,000 at 31 December 2016. Accordingly, the finance costs for 2017 would be reduced substantially; and

(c) The Group is exploring other fund raising opportunities including, but not limited to, equity and debt financing.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2016. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2016 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to Hong Kong Accounting Standard ("HKAS") 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers and the clarification to HKFRS 15

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The Directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Except for the above impact, the Directors do not anticipate that the application of the new and amendments to HKFRSs will have significant impact on the Group's consolidated financial statements.

4. REVENUE

Revenue represents the turnover from catering business and food manufacturing business for the year.

An analysis of the Group's revenue for the year is as follows:

	2016 HK$'000	2015 HK$'000
Catering business	**44,390**	47,460
Food manufacturing business	**6,551**	14,637
	50,941	62,097

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Catering business	– the operation of Chinese restaurants in Hong Kong
Food manufacturing business	– the production of food products
Securities trading	– the trading of securities

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Catering business		Food manufacturing business		Securities trading		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
External sales	**44,390**	47,460	**6,551**	14,637	**–**	–	**50,941**	62,097
Intra-segment sales	**–**	–	**670**	1,865	**–**	–	**670**	1,865
Segment revenue	**44,390**	47,460	**7,221**	16,502	**–**	–	**51,611**	63,962
Eliminations							**(670)**	(1,865)
Group revenue							**50,941**	62,097
Segment result	**(334)**	4,765	**(20,750)**	(26,583)	**(199)**	2,069	**(21,283)**	(19,749)
Share of loss of associates							**(25,438)**	(669)
Share of loss of joint ventures							**(9,098)**	(6,024)
Change in fair value of contingent consideration receivable							**(4,731)**	90
Change in fair value of derivative financial liability							**16,871**	(4,084)
Change in fair value of derivative component of convertible bonds							**–**	99,637
Reduction in promissory notes payable							**6,802**	–
Impairment loss recognised in respect of deposit paid							**–**	(6,000)
Impairment loss recognised in respect of interests in joint ventures							**–**	(8,987)
Reversal of impairment loss recognised in respect of other receivables							**2,360**	1,760
Loss on written-off of plant and equipment							**(4,670)**	(72)
Gain on disposal of plant and equipment							**1,243**	9
Loss on early redemption of convertible bonds							**–**	(60,532)
Gain on bargain purchase							**–**	1,860
Reversal of deferred income							**(191)**	–
Loss on disposal of a subsidiary, net							**(387)**	–
Finance costs							**(56,625)**	(91,869)
Unallocated corporate income							**2,728**	545
Unallocated corporate expenses							**(17,448)**	(20,020)
Loss before tax							**(109,867)**	(114,105)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by (loss from) each segment without allocation of share of loss of associates, share of loss of joint ventures, change in fair value of contingent consideration receivable, change in fair value of derivative financial liability, change in fair value of derivative component of convertible bonds, impairment loss recognised in respect of deposits paid, impairment loss recognised in respect of interests in joint ventures, reversal of impairment loss recognised in respect of other receivables, loss on written-off of plant and equipment, gain on disposal of plant and equipment, loss on early redemption of convertible bonds, reduction in promissory notes payable, gain on bargain purchase, reversal of deferred income, loss on disposal of a subsidiary, net, finance costs, certain other income, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Intra-segment sales are charged at prevailing market rates.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Catering business		Food manufacturing business		Securities trading		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**8,686**	10,395	**3,447**	16,796	**990**	3,501	**13,123**	30,692
Unallocated corporate assets								
– Interests in associates							**6,129**	28,807
– Interests in joint ventures							**212,525**	221,623
– Contingent consideration receivable							–	4,731
– Amounts due from joint ventures							**27,146**	26,859
– Others							**24,268**	25,820
Consolidated assets							**283,191**	338,532
LIABILITIES								
Segment liabilities	**11,089**	4,514	**7,319**	9,213	**–**	–	**18,408**	13,727
Unallocated corporate liabilities								
– Other borrowings							**70,500**	69,200
– Convertible bonds							**97,781**	325,307
– Promissory notes payable							**–**	18,925
– Derivative financial liability							**–**	17,785
– Amounts due to joint ventures							**81,854**	65,454
– Others							**19,012**	19,904
Consolidated liabilities							**287,855**	530,302

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, contingent consideration receivable, amounts due from joint ventures, deposits paid, certain other receivables, bank balances and cash and certain plant and equipment; and

- all liabilities are allocated to operating segments other than other borrowings, obligations under finance leases, convertible bonds, income tax payable, promissory notes payable, derivative financial liability, amounts due to joint ventures, certain other payables and deferred tax liabilities.

(c) Other segment information

	Catering business		Food manufacturing business		Securities trading		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount included in the measure of segment results or segment assets:										
Additions to plant and equipment	**1,116**	165	**2,583**	7,344	**–**	–	**188**	1,231	**3,887**	8,740
Depreciation of plant and equipment	**862**	643	**7,302**	7,870	**–**	–	**810**	755	**8,974**	9,268
Unrealised change in fair value of held-for-trading investments	**–**	–	**–**	–	**(22)**	–	**–**	–	**(22)**	–
(Gain) loss on disposal of held-for-trading investments	**–**	–	**–**	–	**57**	(2,287)	**–**	–	**57**	(2,287)
Written-off of inventories	**–**	–	**1,108**	1,630	**–**	–	**–**	–	**1,108**	1,630
Amount regularly provided to the CODM but not included in the measure of segment results or segment assets:										
Capital contribution to an associate	**–**	–	**–**	–	**–**	–	**3,988**	–	**3,988**	–
Share of loss of associates	**–**	–	**–**	–	**–**	–	**25,438**	669	**25,438**	669
Share of loss of joint ventures	**–**	–	**–**	–	**–**	–	**9,098**	6,024	**9,098**	6,024
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**–**	–	**4,731**	(90)	**4,731**	(90)
Change in fair value of derivative financial liability	**–**	–	**–**	–	**–**	–	**(16,871)**	4,084	**(16,871)**	4,084
Change in fair value of derivative components of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	(99,637)	**–**	(99,637)
Reduction in promissory notes payable	**–**	–	**–**	–	**–**	–	**(6,802)**	–	**(6,802)**	–
Impairment loss recognised in respect of deposit paid	**–**	–	**–**	–	**–**	–	**–**	6,000	**–**	6,000
Impairment loss recognised in respect of interests in joint ventures	**–**	–	**–**	–	**–**	–	**–**	8,987	**–**	8,987
Reversal of impairment loss recognised in respect of other receivables	**–**	–	**–**	–	**–**	–	**(2,360)**	(1,760)	**(2,360)**	(1,760)
Loss on written-off of plant and equipment	**–**	–	**–**	–	**–**	–	**4,670**	72	**4,670**	72
Gain on disposal of plant and equipment	**–**	–	**–**	–	**–**	–	**(1,243)**	(9)	**(1,243)**	(9)
Loss on early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	60,532	**–**	60,532
Gain on bargain purchase	**–**	–	**–**	–	**–**	–	**–**	(1,860)	**–**	(1,860)
Reversal of deferred income	**–**	–	**–**	–	**–**	–	**191**	–	**191**	–
Loss on disposal of a subsidiary, net	**–**	–	**–**	–	**–**	–	**387**	–	**387**	–
Finance costs	**–**	–	**–**	–	**–**	–	**56,625**	91,869	**56,625**	91,869

(d) Geographical information

For the years ended 31 December 2016 and 31 December 2015, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong and accordingly, no further analysis of the Group's geographical information is disclosed.

(e) Information about major customers

None of the customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2016 and 31 December 2015.

6. OTHER OPERATING INCOME

	2016 HK$'000	2015 HK$'000
Amortisation of deferred income	**–**	64
Compensation in respect of plant and equipment that was damaged	**250**	–
Rental income	**1,813**	–
Others	**665**	481
	2,728	545

7. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Gain on disposal of plant and equipment	**1,243**	9
Loss on written-off of plant and equipment	**(4,670)**	(72)
Unrealised change in fair value of held-for-trading investments	**22**	–
(Loss) gain on disposal of held-for-trading investments	**(57)**	2,287
Impairment loss recognised in respect of deposit paid	**–**	(6,000)
Impairment loss recognised in respect of interests in joint ventures	**–**	(8,987)
Change in fair value of contingent consideration receivable	**(4,731)**	90
Reduction in promissory notes payable	**6,802**	–
Reversal of impairment loss recognised in respect of other receivables	**2,360**	1,760
Reversal of deferred income	**(191)**	–
Loss on disposal of a subsidiary, net	**(387)**	–
	391	(10,913)

8. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Interests on:		
– Other borrowings	**1,791**	1,627
– Obligations under finance leases	**59**	75
– Convertible bonds	**52,830**	89,806
– Promissory notes payable	**1,945**	361
	56,625	91,869

9. INCOME TAX CREDIT

	2016 **HK$'000**	2015 HK$'000
Hong Kong Profits Tax		
– Current year	**–**	–
– Over-provision in prior years	**–**	9,661
Deferred taxation		
– Current year	**–**	343
Total income tax credit recognised in profit or loss	**–**	10,004

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.

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 and 31 December 2015 as the assessable profits is wholly absorbed by tax losses brought forward.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 **HK$'000**	2015 HK$'000
Staff costs (including directors' and chief executive's emoluments):		
– salaries, bonuses and allowances	**30,328**	34,121
– retirement benefit scheme contributions, net	**1,197**	1,662
– redundancy costs	**204**	–
	31,729	35,783
Auditor's remuneration		
– Audit service	**1,051**	935
– Non-audit service	**20**	–
Cost of inventories recognised as expenses	**17,741**	23,266
Depreciation of plant and equipment	**8,974**	9,268
Operating lease rentals in respect of rented premises	**12,328**	12,314
Legal and professional fees	**259**	2,542

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

12. LOSS PER SHARE

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

	2016 **HK$'000**	2015 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**108,704**	104,086

Number of shares

	2016 **'000**	2015 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**400,239**	343,729

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation on 14 November 2016 and the effect of rights issue on 22 December 2016.

The denominator for the purpose of calculating basic and diluted loss per share in 2015 has been restated to reflect the effect of the share consolidation and rights issue during the year ended 31 December 2016.

The computation of diluted loss per share for the years ended 31 December 2016 and 31 December 2015 does not assume the conversion of the Company's outstanding convertible bonds into ordinary shares of the Company since the conversion would result in a decrease in loss per share for the years.

13. TRADE AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables (Note a)	**3,639**	4,453
Other receivables (Note b)	**24,797**	32,271
Prepayments and deposits paid	**4,008**	4,525
	28,805	36,796
Less: Accumulated impairment loss on other receivables	**(23,505)**	(25,865)
Other receivables, prepayments and deposit paid, net	**5,300**	10,931
Amounts due from joint ventures (Note c)	**27,146**	26,859
	36,085	42,243

Notes:

(a) 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.

The following is an aged analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2016 **HK$'000**	2015 HK$'000
0 - 30 days	**833**	1,209
31 - 60 days	**350**	378
61 - 90 days	**144**	243
91 - 120 days	**128**	391
More than 120 days	**2,184**	2,232
	3,639	4,453

At 31 December 2016 and 31 December 2015, the aging analysis of trade receivables that was past due but not impaired are as follows:

			Past due but not impaired			
	Total HK$'000	**Neither past due nor impaired** HK$'000	**1-30 days** HK$'000	**31-60 days** HK$'000	**61-90 days** HK$'000	**More than 90 days** HK$'000
At 31 December 2016	**3,639**	**1,174**	**151**	**127**	**338**	**1,849**
At 31 December 2015	4,453	1,319	464	118	431	2,121

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) During the year ended 30 April 2012, Red Bloom Limited ("Red Bloom"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Key Ally Limited ("Key Ally"), an independent third party not connected with the Group, in relation to the proposed acquisition of equity interest in 太原市漢波食品工業有限公司 ("Taiyuan Hanbo") to explore the food and beverage industry in People's Republic of China (the "MOU 1"). Pursuant to the terms of the MOU 1, the earnest deposit of HK$44,000,000 without interest bearing was paid as deposit and partial payment of the consideration for the proposed investment. The MOU 1 expired in the same year-end.

During the year ended 30 April 2013, the Group entered into a repayment agreement with Key Ally with respect of the repayment of the HK$44,000,000 deposit. The outstanding balance was therefore reclassified from "deposits paid" to "other receivables" accordingly.

As Key Ally failed to repay the deposit to the Group according to the agreed repayment schedule, the Directors considered that the recoverability was remote and therefore full impairment loss of approximately HK$28,225,000 has been recognised in profit or loss during the eight months period ended 31 December 2013.

During the year ended 31 December 2016, as the Group received HK$2,360,000 (31 December 2015: HK$1,760,000) from Key Ally, a reversal of impairment loss of HK$2,360,000 (31 December 2015: HK$1,760,000) has been recognised in profit or loss.

The movement of accumulated impairment losses recognised in respect of other receivables is as follows:

	HK$'000
At 1 January 2015	27,625
Amounts recovered during the year	(1,760)
At 31 December 2015	25,865
Amounts recovered during the year	(2,360)
At 31 December 2016	**23,505**

(c) The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand and has been included in joint ventures' financial statements as current liabilities.

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables (Note a)	**5,573**	5,052
Other payables and accruals	**30,408**	26,256
Amounts due to joint ventures (Note b)	**81,854**	65,454
	117,835	96,762

Notes:

(a) The following is an aged analysis of trade payables presented based on the invoice date:

	2016	2015
	HK$'000	HK$'000
Within 30 days	**1,166**	1,761
31 - 60 days	**1,082**	801
61 - 90 days	**780**	162
91 - 120 days	**966**	779
More than 120 days	**1,579**	1,549
	5,573	5,052

Payment terms granted by suppliers are generally 30 to 90 days (2015: 30 to 90 days) after the end of the month in which the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand and has been included in joint ventures' financial statements as current assets.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2016 which has included a disclaimer of opinion:

"DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material fundamental uncertainties relating to going concern basis

As set out in the consolidated statement of profit or loss and other comprehensive income, the Group incurred a loss for the year attributable to owners of the Company of approximately HK$108,704,000 for the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$226,539,000 and the Group had net liabilities of approximately HK$4,364,000. Also, the holders of the CMS CB, as stated in Note 33 to the consolidated financial statements, exercised their early redemption right by requesting the Company to redeem the CMS CB during the year ended 31 December 2015, of which approximately US$10,597,000 (equivalent to HK$82,650,000) remained unsettled as at 31 December 2016. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company (the "Directors") on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

During the year ended 31 December 2016 (the "Reporting Period"), the Group recorded a revenue of approximately HK$50,941,000 (2015: approximately HK$62,097,000), approximately representing a 18% decrease as compared with the last corresponding period. Revenue of all segments during the Reporting Period were decreased as compared with the last corresponding period.

Results for the year

The Group recorded a loss of approximately HK$109,867,000 for the Reporting Period, as compared with a loss of approximately HK$104,101,000 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 revenue of the catering business for the Reporting Period was approximately HK$44,390,000 (2015: approximately HK$47,460,000), representing a decrease of approximately 6% 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 the year.

Food Manufacturing Business

The segmental revenue of the food manufacturing business for the Reporting Period was approximately HK$6,551,000 (2015: approximately HK$14,637,000), representing a decrease of approximately 55% as compared with the last corresponding period. As the segment continuous to record an operating loss, the management is streamlining the production.

Securities trading

During the Reporting Period, the gross proceeds on disposal of held-for-trading investments was approximately HK$304,000 (2015: approximately HK$32,690,000), representing a decrease of approximately 99% as compared with the last corresponding period.

CAPITAL STRUCTURE

As at 31 December 2016, the Company's issued share capital was HK$52,836,000 and the number of its issued ordinary shares was 2,641,800,000 shares of HK$0.02 each (the "Shares", as at 31 December 2015: HK$5,283,600 divided into 528,360,000 shares of HK$0.01 each).

On 3 February 2016, the Company updated the shareholders of the Company (the "Shareholder(s)") that the holders of the convertible bonds in the principal amount of US$37,500,000 issued by the Company on 18 December 2014 (the "Convertible Bonds") have requested the Company to redeem the Convertible Bonds and to repay the interests associated therewith pursuant to the bond instrument of the Convertible Bonds. After negotiations and the partial repayment of the Convertible Bonds and the outstanding interest thereof in December 2016, the outstanding liabilities (excluding interest) of the Company due to the holders of the Convertible Bonds amounted to approximately HK$82,311,000 (the "Outstanding Liabilities"). The Company is still in negotiations with relevant parties regarding the terms and timetable of settlement of the Outstanding Liabilities.

For details, please refer to the announcements of the Company dated 3 February 2016, 19 August 2016 and 23 December 2016, circular dated 26 October 2016 and prospectus dated 24 November 2016.

On 6 November 2015, the Group had issued the tranche A promissory note and the tranche B promissory note 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 involved 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 was approved by the Shareholders at the extraordinary general meeting held on 11 November 2016. Subsequently, as on 14 November 2016, the Company's number of issued shares was changed from 528,360,000 of HK$0.01 each to 2,641,800,000 of HK$0.02 each.

For details, please refer to the announcements of the Company dated 19 August 2016, 2 September 2016, 19 September 2016, 30 September 2016, 17 October 2016, 10 November 2016 and 11 November 2016 and the circular of the Company dated 26 October 2016.

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 each 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 each) 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 was approved by the Shareholders at the extraordinary general meeting 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, 17 October 2016, 10 November 2016 and 11 November 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) (the "Rights Issue").

The Rights Shares were 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).

The Rights Issue was approved by the Independent Shareholders (as defined in the announcement of the Company dated 19 August 2016) at the extraordinary general meeting held on 11 November 2016.

After deducting the estimated expenses relating to the Rights Issue, the net proceeds from the Rights Issue amounted to approximately HK$297,587,000 were used by the Company for the redemption of substantial but not the entire amount of the Convertible Bonds and the repayment of the interests thereof.

For details, please refer to the announcements of the Company dated 19 August 2016, 2 September 2016, 19 September 2016, 30 September 2016, 17 October 2016, 10 November 2016, 11 November 2016 and 14 November 2016, the circular of the Company dated 26 October 2016 and the prospectus of the Company dated 24 November 2016.

SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group did not have any significant investments.

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. During the Reporting Period, the Group received a further sum of HK$2,360,000 (2015: approximately HK$1,760,000). 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 have been applied to settle part of the consideration of the acquisition of remaining 50% of the entire issued share capital in each of SPV, Great Way 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. During the Reporting Period, the Company has issued letters to Coqueen or its legal representative to request for the refund of the Framework Deposit. The Company is still awaiting the repayment plan from Coqueen, and is considering other possible alternative arrangements.

The amount of the Framework Deposit exceeds 8% of the total asset of the Company as defined under Chapter 19 of the GEM Listing Rules and it constitutes an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. For details, please refer to the announcements of the Company dated 24 April 2013, 18 October 2013, 6 August 2014, 30 April 2015, 16 October 2015, 13 November 2015 and 3 February 2016 and 15 August 2016, and the circular of the Company dated 29 August 2014.

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$226,539,000 (2015: approximately HK$461,585,000) including the bank balances and cash of approximately HK$2,388,000 (2015: approximately HK$2,547,000).

As at 31 December 2016, the Group had other borrowings amounted to approximately HK$70,500,000 (2015: approximately HK$69,200,000) and obligations under finance leases of approximately HK$1,439,000 (2015: approximately HK$2,196,000). The gearing ratio, computed as total liabilities to total assets, is 1.02 at the end of the Reporting Period (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 31 December 2016, certain assets with fair value of approximately HK$234,616,000 (2015: approximately HK$258,002,000) were pledged for the Convertible Bonds.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liability.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this announcement, the Group did not have any other material acquisition and disposal of subsidiaries and affiliated companies for the year ended 31 December 2016.

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 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 consolidating its catering business with an ongoing vision 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.

Food manufacturing business

During the Reporting Period, the food manufacturing business continued to record an operating loss. As the segment continuous to record an operating loss, the management is streamlining the production.

Other catering business

The Board is still looking for other investment opportunities aiming at exploring the feasibility of further expansion in catering business.

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 announcement, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total of 71 employees (2015: 110). Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK$31,729,000 (2015: approximately HK$35,783,000).

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.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2016 (2015: Nil).

COMPETING INTERESTS

For the year ended 31 December 2016, 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.

EVENTS AFTER REPORTING PERIOD

On 27 February 2017, Elite Trade Global Limited ("Elite Trade") issued and FLM Macau Ventures Limited ("FLM Macau Ventures") signed the buy-out notice, pursuant to which FLM Macau Ventures and Elite Trade have agreed to terminate the joint venture agreement dated 17 September 2014 by way of Elite Trade acquiring the 65% issued share capital of Fook Lam Moon Macau Holdings Limited from FLM Macau Ventures. Upon completion of the disposal, the Group will cease to hold any interest in Fook Lam Moon Macau Holdings Limited.

For details, please refer to the announcement of the Company dated 27 February 2017.

COMPLIANCE OF THE CODE PROVISIONS

Throughout the year ended 31 December 2016, the Company applied the principles and complied with the code provisions on Corporate Governance Practices as set out in Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "CG Code") except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not appoint a chairman or a chief executive during the year ended 31 December 2016. The functions of the chairman and chief executive are performed by the executive Directors. The Board is of the view that there existed a balance of power and authority and will review the current practice from time to time and make appropriate changes if considered necessary.

Under code provision A.2.7 of the CG Code, the chairman of the board ("Chairman") should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a Chairman, no such meeting was held in this regard for the year ended 31 December 2016.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transaction 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 to 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 year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee on 10 June 2003 with latest written terms of reference adopted on 12 November 2015 in compliance with the GEM Listing Rules. In accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of 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 Group's audited consolidated financial statements for the year ended 31 December 2016 including the accounting principles and practices adopted have been reviewed by the Audit Committee. The Audit Committee considers that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the websites of GEM of the Stock Exchange (http://www.hkgem.com) and the Company (http://www.cfbgroup.com.hk) respectively. The annual report for the financial year will be despatched to the Shareholders and made available on the above websites in due course.

APPRECIATION

The Board would like to thank all business partners and Shareholders 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, 27 March 2017

As at the date of this announcement, Ms. Yu Sau Lai, 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.