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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 and continued in Bermuda with limited liability)
(Stock Code: 8272)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 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 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 2019 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 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue — catering services	4	**18,133**	23,152
Cost of sales		**(14,545)**	(19,364)
Gross profit		**3,588**	3,788
Other operating income	6	**1,268**	62,060
Other gains and losses	7	**6,265**	56,916
Impairment losses (recognised) reversed, net of impairment losses reversed (recognised)	9	**(919)**	1,405
Selling and distribution expenses		**(5,678)**	(8,296)
Administrative and other operating expenses		**(13,694)**	(18,069)
Finance costs	8	**(2,704)**	(12,964)
Share of profit of joint ventures		**–**	203
(Loss) profit before tax		**(11,874)**	85,043
Income tax expense	10	**–**	–
(Loss) profit for the year	11	**(11,874)**	85,043
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
Investment in equity instrument at fair value through other comprehensive income		**(14,239)**	(45,359)
Other comprehensive expense for the year, net of income tax		**(14,239)**	(45,359)
Total comprehensive (expense) income for the year		**(26,113)**	39,684

	Notes	2019 HK$'000	2018 HK$'000
(Loss) profit for the year attributable to:			
— Owners of the Company		**(10,887)**	85,041
— Non-controlling interests		**(987)**	2
		(11,874)	85,043
Total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(25,126)**	39,682
— Non-controlling interests		**(987)**	2
		(26,113)	39,684
(Loss) earnings per share			(Restated)
— Basic and diluted	*13*	**HK(13.74) cents**	HK107.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Plant and equipment		**3,825**	4,751
Right-of-use assets		**5,024**	–
Interests in joint ventures		**–**	–
Equity instrument at fair value through other comprehensive income		**25,562**	39,801
Contingent consideration receivable — non-current portion		**5,151**	5,834
		39,562	50,386
Current assets			
Inventories		**189**	755
Trade and other receivables	*14*	**1,911**	4,608
Contingent consideration receivable — current portion		**2,488**	394
Bank balances and cash		**1,966**	1,294
		6,554	7,051
Current liabilities			
Trade and other payables	*15*	**33,689**	35,951
Other borrowings		**14,505**	2,095
Lease liabilities — current portion		**1,003**	–
Obligations under finance leases — current portion		**–**	234
		49,197	38,280
Net current liabilities		**(42,643)**	(31,229)
Total assets less current liabilities		**(3,081)**	19,157
Non-current liabilities			
Lease liabilities — non-current portion		**4,112**	–
Obligations under finance leases — non-current portion		**–**	51
		4,112	51
Net (liabilities) assets		**(7,193)**	19,106
Capital and reserves			
Share capital		**793**	63,403
Reserves		**(3,637)**	(40,925)
Equity attributable to owners of the Company		**(2,844)**	22,478
Non-controlling interests		**(4,349)**	(3,372)
Total (deficit) equity		**(7,193)**	19,106

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Fair value through other comprehensive income reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2018	63,403	497,676	–	–	(578,283)	(17,204)	(3,374)	(20,578)
Profit for the year	–	–	–	–	85,041	85,041	2	85,043
Other comprehensive expense for the year, net of income tax								
Item that will not be reclassified to profit or loss:								
Fair value loss on investment in equity instrument at fair value through other comprehensive income	–	–	–	(45,359)	–	(45,359)	–	(45,359)
Total comprehensive (expense) income for the year	–	–	–	(45,359)	85,041	39,682	2	39,684
At 31 December 2018	63,403	497,676	–	(45,359)	(493,242)	22,478	(3,372)	19,106
Adjustments *(Note 3)*	–	–	–	–	(196)	(196)	–	(196)
At 1 January 2019 (restated)	63,403	497,676	–	(45,359)	(493,438)	(22,282)	(3,372)	18,910
Loss for the year	**–**	**–**	**–**	**–**	**(10,887)**	**(10,887)**	**(987)**	**(11,874)**
Other comprehensive expense for the year, net of income tax								
Item that will not be reclassified to profit or loss:								
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**–**	**–**	**–**	**(14,239)**	**–**	**(14,239)**	**–**	**(14,239)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(14,239)**	**(10,887)**	**(25,126)**	**(987)**	**(26,113)**
Cancellation of share premium *(Note)*	**–**	**(497,676)**	**497,676**	**–**	**–**	**–**	**–**	**–**
Capital reduction	**(62,610)**	**–**	**62,610**	**–**	**–**	**–**	**–**	**–**
Capital contribution from non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**10**
At 31 December 2019	**793**	**–**	**560,286**	**(59,598)**	**(504,325)**	**(2,844)**	**(4,349)**	**(7,193)**

Note:

Pursuant to an ordinary resolution passed at an extraordinary general meeting on 12 June 2019, the Company approved the share premium cancellation by way of cancellation of the entire amount of approximately HK$497,676,000 standing to the credit of the share premium account of the Company and transfer the credits arising from such cancellation to an account designated as the contributed surplus account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Chinese Food Beverage Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Exchange").

During the year ended 31 December 2019, the Company redomiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the law of Bermuda. The change of domicile was continued into Bermuda with limited liability with effect from 25 June 2019.

The addresses of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is Room 906, 9/F., Wings Building, No. 110–116 Queen's Road Central, Hong Kong. The directors of the Company (the "Directors") do not consider any company to be the ultimate holding company and parent company of the Company.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the "Group") are catering 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

During the year ended 31 December 2019, the Group incurred a loss attributable to owners of the Company of approximately HK$10,887,000 and had net cash used in operating activities and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$42,643,000 and the Group had net liabilities of approximately HK$7,193,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Directors considered that the consolidated financial statements of the Company has been prepared on a going concern basis after taking into consideration of the following measures:

(a) The Group has continued to enforce cost-saving measures. The selling and distribution expenses, and administrative and other operating expenses were reduced by 27% and the finance costs were reduced by 79%, as compared with the year ended 31 December 2018;

(b) The Group is negotiating with its suppliers and creditors to extend payment due date;

(c) Subject to the approval by the shareholders of the Company and the Exchange, the Group may have a potential fund raising exercise after the publication of annual results announcement of the Group for the year ended 31 December 2019; and

(d) 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 would 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 2019.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 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")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Interpretation ("Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 15%.

	Note	**At January 2019** ***HK$'000***
Operating lease commitments disclosed as at 31 December 2018		**9,860**
Lease liabilities discounted at relevant incremental borrowing rates		**8,981**
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application		**(106)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		**8,875**
Add: Obligations under finance leases recognised at 31 December 2018	*(a)*	**285**
Lease liabilities as at 1 January 2019		**9,160**
Analysed as		
Current		**6,653**
Non-current		**2,507**
		9,160

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use Assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		8,875
Amounts included in plant and equipment under HKAS 17		
— Assets previously under finance leases	*(a)*	551
Adjustments on rental deposits paid at 1 January 2019	*(b)*	391
		9,817

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$551,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$234,000 and approximately HK$51,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$587,000 and approximately HK$391,000 were adjusted to refundable rental deposits paid and right-of-use assets respectively.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 *HK$'000*
Accumulated losses	
Adjustment on rental deposits paid at 1 January 2019	(196)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amount under HKFRS 16 at 1 January 2019 HK$'000**
Non-current assets				
Plant and equipment	*(a)*	4,751	(551)	**4,200**
Right-of-use assets		–	9,817	**9,817**
Current assets				
Trade and other receivables	*(b)*	4,608	(587)	**4,021**
Current liabilities				
Lease liabilities		–	6,653	**6,653**
Obligation under finance leases	*(a)*	234	(234)	**–**
Non-current liabilities				
Lease liabilities		–	2,507	**2,507**
Obligation under finance leases	*(a)*	51	(51)	**–**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Catering business	**18,133**	23,152
Timing of revenue recognition		
At a point in time	**18,133**	23,152

For catering business, revenue from restaurant operation is recognised at a point in time when the catering services is provided to customers. In general, payment of the transaction price is due immediately at the point the catering services is provided to customers. However, certain customers are granted credit periods from 30 to 60 days.

5. OPERATING SEGMENTS

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. 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	—	operation of Chinese restaurants in Hong Kong
Securities trading	—	trading of securities

(a) Segment Revenues and Results

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

	Catering business		Securities trading		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*
Segment revenue — from external customers	**18,133**	23,152	**–**	–	**18,133**	23,152
Segment result	**(9,335)**	(11,887)	**(168)**	(201)	**(9,503)**	(12,088)
Share of profit of joint ventures					**–**	203
Change in fair value of contingent consideration receivable					**2,163**	(1,165)
Impairment loss (recognised) reversed, net of impairment reversed (recognised) on other receivables					**(196)**	1,405
Gain on disposal of a subsidiary					**–**	1,620
Gain on disposal of a joint venture					**–**	56,781
Dividend income					**380**	51,951
Exchange loss					**–**	(247)
Finance costs					**(2,704)**	(12,964)
Reimbursement of interest on convertible bonds					**–**	9,000
Unallocated corporate income					**888**	1,109
Unallocated corporate expenses					**(2,902)**	(10,489)
(Loss) profit before tax					**(11,874)**	85,043

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the loss from each segment without allocation of share of profit of joint ventures, change in fair value of contingent consideration receivable, loss on written-off of plant and equipment, gain on disposal of plant and equipment, impairment loss (recognised) reversed on other receivables, gain on disposal of a subsidiary, gain on disposal of a joint venture, dividend income, exchange loss, finance costs, reimbursement of interest on convertible bonds, certain other operating income, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

(b) **Segment Assets and Liabilities**

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

	Catering business		**Securities trading**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS						
Segment assets	**9,568**	9,116	**241**	302	**9,809**	9,418
Unallocated corporate assets						
— Right-of-use assets					**138**	–
— Equity instrument at FVTOCI					**25,562**	39,801
— Contingent consideration receivable					**7,639**	6,228
— Others					**2,968**	1,990
Consolidated assets					**46,116**	57,437
LIABILITIES						
Segment liabilities	**12,231**	16,631	**90**	6	**12,321**	16,637
Unallocated corporate liabilities						
— Other borrowings					**14,505**	2,095
— Lease liabilities					**51**	–
— Amounts due to joint ventures					**7,353**	7,353
— Amount due to a director					**608**	608
— Others					**18,471**	11,638
Consolidated liabilities					**53,309**	38,331

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

— all assets are allocated to operating segments other than equity instrument at FVTOCI, contingent consideration receivable, certain other receivables, bank balances and cash, certain plant and equipments, and certain right-of-use assets; and

— all liabilities are allocated to operating segments other than borrowings, certain lease liabilities, obligations under finance leases, amounts due to joint ventures, amounts due to a director and certain other payables.

(c) Other Segment Information

	Catering business		Securities trading		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**3,843**	5,292	**–**	–	**–**	–	**3,843**	5,292
Depreciation of plant and equipment	**1,688**	1,790	**–**	–	**15**	694	**1,703**	2,484
Depreciation of right-of-use assets	**3,553**	–	**–**	–	**1,198**	–	**4,751**	–
Impairment loss recognised on trade receivables	**723**	–	**–**	–	**–**	–	**723**	–
Amount regularly provided to the CODM but not included in the measure of segment results or segment assets:								
Share of profit of joint ventures	**–**	–	**–**	–	**–**	(203)	**–**	(203)
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**(2,163)**	1,165	**(2,163)**	1,165
Impairment loss recognised (reversed), net of impairment (reversed) recognised on other receivables	**–**	–	**–**	–	**196**	(1,405)	**196**	(1,405)
Loss on written-off of plant and equipment	**44**	–	**–**	–	**–**	73	**44**	73
Gain on disposal of plant and equipment	**(3,524)**	–	**–**	–	**–**	–	**(3,524)**	–
Gain on disposal of right-of-use assets	**(622)**	–	**–**	–	**–**	–	**(622)**	–
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	(1,620)	**–**	(1,620)
Gain on disposal of a joint venture	**–**	–	**–**	–	**–**	(56,781)	**–**	(56,781)
Dividend income	**–**	–	**–**	–	**(380)**	(51,951)	**(380)**	(51,951)
Reimbursement of interest on convertible bonds	**–**	–	**–**	–	**–**	(9,000)	**–**	(9,000)
Exchange loss	**–**	–	**–**	–	**–**	247	**–**	247
Finance costs	**–**	–	**–**	–	**2,704**	12,964	**2,704**	12,964

(d) Geographical Information

For the years ended 31 December 2019 and 2018, 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 2019 and 2018.

6. OTHER OPERATING INCOME

	2019	2018
	HK$'000	*HK$'000*
Rental income *(Note 1)*	**450**	920
Reimbursement of interest on convertible bonds *(Note 2)*	**–**	9,000
Dividend received from equity interests at FVTOCI relating to investments held at the end of the reporting period	**380**	51,951
Others	**438**	189
	1,268	62,060

Notes:

(1) Leases

	2019
	HK$'000
For operating leases:	
Lease payments that are fixed or depend on an index or a rate	**450**

	2018
	HK$'000
Operating lease income — motor vehicle	920

(2) The balance represents the interest expense reimbursed by Coqueen Company Limited ("Coqueen") in relation to the delay in the completion of the Disposal which resulted in the additional interest charge in respect of the convertible bonds.

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Loss on written-off of plant and equipment	**(44)**	(73)
Gain on disposal of plant and equipment	**3,524**	–
Gain on disposal of right-of-use assets	**622**	–
Gain on disposal of a subsidiary	**–**	1,620
Gain on disposal of a joint venture	**–**	56,781
Exchange loss	**–**	(247)
Change in fair value of contingent consideration receivable	**2,163**	(1,165)
	6,265	56,916

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
— Other borrowings	**1,642**	1,661
— Lease liabilities/Obligations under finance leases	**1,062**	16
— Convertible bonds	**–**	11,177
— Overdue payments	**–**	110
	2,704	12,964

9. IMPAIRMENT LOSSES RECOGNISED (REVERSED), NET OF IMPAIRMENT LOSSES (REVERSED) RECOGNISED

	2019	2018
	HK$'000	*HK$'000*
Impairment losses recognised (reversed) on:		
— Trade receivables	**723**	–
— Other receivables	**376**	–
— Other receivables	**(180)**	(1,405)
	919	(1,405)

10. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the Group's entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as certain group entities did not generate any assessable profits arising in Hong Kong and assessable profits of certain Group's entities were wholly absorbed by tax losses brought forward for the years ended 31 December 2019 and 2018.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdictions.

11. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2019 *HK$'000*	2018 *HK$'000*
Staff costs (including directors' and chief executive's emoluments):		
— salaries, bonuses and allowances	**9,832**	13,602
— retirement benefit scheme contributions	**761**	826
	10,593	14,428
Auditor's remuneration		
— Audit service	**580**	1,252
— Non-audit service	**290**	450
Cost of inventories recognised as expenses	**6,694**	7,859
Depreciation of plant and equipment	**1,703**	2,484
Depreciation of right-of-use assets	**4,751**	–
Operating lease rentals in respect of rental premises	**–**	7,758
Legal and professional fees	**1,603**	1,289

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

13. (LOSS) EARNINGS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(10,887)**	85,041

	Number of shares	
	2019 ***'000***	2018 *'000* (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**79,254**	79,254

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 18 July 2019.

The denominator for the purpose of calculating basic and diluted earnings per share in 2018 has been restated to reflect the effect of the share consolidation during the year ended 31 December 2019.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**902**	1,466
Less: Allowance for credit losses	**(786)**	(63)
Trade receivables, net *(Note)*	**116**	1,403
Other receivables	**22,476**	22,016
Prepayments and deposits paid	**942**	2,616
	23,418	24,632
Less: Allowance for credit losses	**(21,623)**	(21,427)
Other receivables, prepayments and deposit paid, net	**1,795**	3,205
	1,911	4,608

Note:

Certain customers are granted credit period from 30 to 60 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**–**	267
31–60 days	**–**	83
61–90 days	**35**	111
91–120 days	**–**	116
More than 120 days	**81**	826
	116	1,403

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(Note)*	**5,705**	4,512
Other payables and accruals	**17,025**	23,478
Amount due to a director	**608**	608
Amounts due to joint ventures	**7,353**	7,353
Amount due to a non-controlling shareholder	**2,998**	–
	33,689	35,951

Note:

The following is an aged analysis of trade payable presented based on the invoice date:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**632**	635
31–60 days	**359**	523
61–90 days	**–**	505
91–120 days	**–**	535
More than 120 days	**4,714**	2,314
	5,705	4,512

Payment terms granted by suppliers are generally 30 to 90 days (2018: 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.

16. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 ("COVID-19") in early 2020 has affected the Group's business segment adversely. The Group has closely monitored on the development of the COVID-19 and taken a number of cost control measures to mitigate the impact of this challenging situation. The Group will pay close attention to the change of situation and evaluate its impact on the financial position and operating results of the Group.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The below section set out an extract of the independent auditor's report, regarding the consolidated financial statements of the Group for the year ended 31 December 2019:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as 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

Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group incurred a loss for the year attributable to owners of the Company of approximately HK$10,887,000 and had net cash used in operating activities for the year ended 31 December 2019. In addition, the Group's current liabilities exceeded its current assets by approximately HK$42,643,000 and the Group had net liabilities of approximately HK$7,193,000 as at 31 December 2019. As at the same date, the Group's total current borrowings amounted to approximately HK$14,505,000, while its cash and cash equivalents amounted to approximately HK$1,966,000.

These conditions, together with other matters described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about 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.

The directors of the Company (the "Directors") have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, 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 2019 (the "Reporting Period"), the Group recorded a revenue of approximately HK$18,133,000 (2018: approximately HK$23,152,000), approximately representing a 22% decrease as compared with the last corresponding period.

Results for the year

The Group recorded a loss of approximately HK$11,874,000 for the Reporting Period, as compared with a profit of approximately HK$85,043,000 of the last corresponding period. The turnaround of the Group's result is mainly attributable to decrease in other operating income and other gains as there were (i) a gain on disposal of 31% equity interest in Flame Soar Limited of approximately HK$56,781,000; and (ii) dividend of approximately HK$51,951,000 from financial assets at fair value through profit or loss recorded in the previous corresponding year whereas no such gain have been recorded for the Reporting Period.

During the year ended 31 December 2019, administrative and other operating expenses decreased from approximately HK$18,069,000 to approximately HK$13,694,000 due to cost-saving measures among the Group; selling and distribution expenses decreased from approximately HK$8,296,000 to approximately HK$5,678,000 due to discontinuation of the operation in Fooklore and finance costs also decreased from approximately HK$12,964,000 to approximately HK$2,704,000, mainly due to the convertible bonds payable with approximately HK$91,789,000 had been fully settled.

Catering Business

The segmental revenue of the catering business for the Reporting Period was approximately HK$18,133,000 (2018: approximately HK$23,152,000), representing a decrease of approximately 22% as compared with the previous corresponding period. The catering business mainly comprised two restaurants namely, Fooklore (享福) and Real Stone Grills (堅石燒).

Fooklore (享福)

Fooklore was tailored to provide Chinese banqueting services for corporate and family gatherings. After the renovation in July 2018, the revenue contributed by Fooklore could not achieve the satisfactory result. Due to the deteriorating business performance and consistent loss-making from, among other things, the inefficiencies in cost management, the Board considered that it would be unhealthy for the Group to keep operating the restaurant. Consequently, the operation in Fooklore was discontinued in June 2019.

During the Reporting Period, Fooklore recorded revenue from catering business of approximately HK$9,702,000 (2018: approximately HK$21,777,000).

Real Stone Grills (堅石燒)

In June 2019, the Group reallocated its resource to invest in a company by a majority stake of approximately 52.38% for launching a Korean restaurant under the name of Real Stone Grill. Real Stone Grill operates as a restaurant serving Korean cuisine and is located at Yau Tsim Mong District which is one of most densely populated district, having the highest flow of tourist and locals in Hong Kong. It is positioned as a middle end restaurant with approximately 3,000 square feet and around 100 seats to provide quality imported meat and a variety of Korean cuisine to customers who look for spacious and comfortable dining experience. Also there has an innovative facility which emits fragrant spray onto customers after dining so as to remove their smells of grilling. The Board is of the view that Real Stone Grill is expected to grow steadily and has a better performance than Chinese restaurant given that Korean restaurant is more competitive as it offers affordable pricing with mid-range price whereas the Chinese restaurant provides upper-end and expensive dining experience. Real Stone Grill has greater attraction to additional young customers than other traditional cuisine, accompanied by the spread of contemporary Korean pop-culture which is highly influential amongst young people in Hong Kong.

Since the protests had started in June 2019, the slump in tourist arrivals resulted in weak sales performance in the second quarter in Hong Kong. The revenue contributed by Real Stone Grill still achieved in growth steadily and intended to have a better performance.

In response to the public health risks associated with COVID-19 ("COVID-19") in early 2020, our restaurant have been established the sterilization measures such as providing the hand sanitizer, temperature measure at the entry, wearing face mask when entry of restaurant and, etc. In the meantime, we have adjusted the operating hours according to latest demand. We will continue to adopt different approaches to tackle the challenge, closely monitor the development of the circumstances and work diligently to sustain in this difficult time.

During the Reporting Period, Real Stone Grills recorded revenue from catering business of approximately HK$7,124,000 (2018: Nil).

Securities Trading

There was no acquisition or disposal of any held-for-trading investments during the Reporting Period.

OUTLOOK AND PROSPECT

The Group's catering business remains Real Stone Grills. The catering business in Hong Kong has been under an exceptionally adverse business environment since the start of the protest of the second half of 2019 and the COVID-19 in early 2020, local residents have also distanced themselves from dining activities in order to avoid cross contamination and prevent community outbreaks. The prevention and control of the epidemic has continued to be the core of the Group's catering business. Notwithstanding the degree of impact of the COVID-19 will depend on the duration of the epidemic and prevention and control activities taken by the Government, the catering business in Hong Kong is challenging in the second half of 2020. The Group expects after COVID-19 has been under control, the revenue generated by Real Stone Grill will continue to grow.

In view of the above, management is actively seeking for potential business opportunities in the catering and food processing industry, aiming at further substantiating its existing operations together with its expansion plan on its Korean restaurants. Management believes through the acquisition of potential the catering and food processing could generate growing and sustainable income source for the Group.

CAPITAL STRUCTURE

At the extraordinary general meeting of the Company held on 12 June 2019, the shareholders of the Company have approved, among others, the change of its domicile from the Cayman Islands to Bermuda and the reorganization of its share capital. The capital reorganization (the "Capital Reorganization") involved the following:

1. Share consolidation

Pursuant to the share consolidation (the "Share Consolidation"), every forty (40) issued and unissued existing shares of HK$0.02 each were consolidated into one (1) consolidated share of HK$0.80 each (the "Consolidated Shares") and where applicable, the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation was rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation.

2. Capital reduction and share subdivision

(a) The issued share capital of the Company was reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.79 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share was reduced from HK$0.80 to HK$0.01 (the "Capital Reduction");

(b) Immediately following the Capital Reduction, each of the authorized but unissued Consolidated Shares of HK$0.80 each was sub-divided into eighty (80) new shares of HK$0.01 each; and

(c) The credits arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation; and (ii) the Capital Reduction were credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.

Upon the Capital Reorganization becoming effective on 18 July 2019, the authorized share capital of the Company was HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each, of which 79,254,000 shares were in issue and the aggregate nominal value of the issued share capital was HK$792,540. For details, please refer to the announcements of the Company dated 30 April 2019, 20 May 2019, 12 June 2019, 26 June 2019, 17 July 2019 and the circular of the Company dated 20 May 2019.

As at 31 December 2019, the Company's issued share capital was HK$792,540 (2018: HK$63,403,000) and the number of its issued ordinary shares was 79,254,000 shares of HK$0.01 each (2018: 3,170,160,000 shares of HK$0.02 each).

CHANGE IN BOARD LOT SIZE

On 18 July 2019, the board lot size for trading of the Company's shares on the Exchange has been changed from 20,000 shares to 5,000 shares.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group has 19% (2018: 19%) equity interest in Flame Soar Limited, which through a number of its subsidiaries is engaged in the operation of high-end Chinese restaurant business, serving Cantonese cuisine and provision of banquet catering services.

PROFIT GUARANTEE

On 25 October 2018, Rich Paragon Limited ("Rich Paragon"), a wholly-owned subsidiary of the Company has entered into the shareholders' agreement (the "Shareholders' Agreement") with the shareholders of Flame Soar Limited ("Flame Soar").

In accordance with the Shareholders' Agreement, Fortunate Soar Limited and its immediate holding company, namely Fook Lam Moon Holdings Limited (collectively, the "Guarantors") severally and irrevocably guarantee to Rich Paragon that the audited EBITDA* of the restaurant operators (the "Restaurant Operators") of Flame Soar for the guaranteed amount (the "Guaranteed Amount") of HK$49,693,319, HK$51,184,119, HK$52,719,642 and HK$54,301,231 for the financial years (the "Financial Year(s)") ending on 31 December 2018, 2019, 2020 and 2021, respectively (the "Profit Guarantee"). In case the Profit Guarantee is not met or satisfied in any one of the Financial Years, the Guarantors shall in respect of the Financial Year, jointly or severally pay to Rich Paragon a cash compensation ("Compensation") in amount determined by applying the following formula:

Compensation = (Guaranteed Amount – audited EBITDA of the Restaurant Operators) x 19%

* *EBITDA means, in respect of a Financial Year, the total operating profit (or, as the case may be, loss) of the Restaurant Operators for continuing operations before each of the following items: (i) interest; (ii) tax; (iii) depreciation of tangible assets; and (iv) amortisation of goodwill, general provision and other intangible assets*

Pursuant to the audited EBITDA of the Restaurant Operators for the Financial Year 2018, the Profit Guarantee was not met and the Compensation of approximately HK$751,000 based on the above formula was recognized during the Reporting Period. Since the audited financial statements of the Restaurant Operators for the Financial Year 2019 has not been prepared by the Restaurant Operators up to the date of this announcement, the Compensation, if any, for the Financial Year 2019 was uncertain.

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 other receivables of approximately HK$28,225,000 was recognised during the eight months ended 31 December 2013. During the Reporting Period, the Group has received approximately HK$180,000 from Key Ally Limited. The Group will proceed to recover the outstanding amount in reliance on legal advice.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has principally financed its operations by internal resources and other borrowings from financial institutions. As at 31 December 2019, the Group has net current liabilities of approximately HK$42,643,000 (2018: approximately HK$31,229,000) which includes the bank balances and cash of approximately HK$1,966,000 (2018: approximately HK$1,294,000).

As at 31 December 2019, the Group had other borrowings amounted to approximately HK$14,505,000 (2018: approximately HK$2,095,000). The gearing ratio, computed as total liabilities to total assets, is 1.16 the end of the Reporting Period (2018: 0.67).

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2019, the Company has pledged 70% (2018: 70%) equity interests of Able Wind Limited to secure an other borrowing of HK$2,910,000 (2018: HK$1,000,000).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any capital commitment (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liability (2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In June 2019, the Group obtained a majority stake of approximately 52.38% equity interest in a company which operates a restaurant under the name of "Real Stone Grill" in Yau Tsim Mong District, and such company has become the Company's subsidiary.

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 2019 and up to the date of this announcement.

CHANGE OF DOMICILE, PRINCIPAL REGISTRAR AND REGISTERED OFFICE; ADOPTION OF NEW MEMORANDUM OF CONTINUANCE AND BYE-LAWS

During the Reporting Period, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The change of domicile (the "Change of Domicile") became effective on 25 June 2019.

With effect from the Change of Domicile becoming effective, (i) the registered office of the Company has been changed to Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda; and (ii) Conyers Corporate Services (Bermuda) Limited of Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda has been appointed as the principal share registrar and transfer office of the Company in Bermuda. Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong remains as the branch share registrar and transfer office of the Company in Hong Kong.

In connection with the Change of Domicile, the New Memorandum of Continuance and Bye-laws were adopted by the Company with effect from Tuesday, 25 June 2019 (Bermuda time) (Wednesday, 26 June 2019 (Hong Kong time)).

For details, please refer to the announcements of the Company dated 30 April 2019, 20 May 2019, 12 June 2019, 26 June 2019, 17 July 2019 and the circular of the Company dated 20 May 2019.

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.

Fooklore, the restaurant managed and operated by Union Sky Wealth Limited (an indirect wholly-owned subsidiary of the Company) serving exquisite Cantonese and Sichuan cuisine on Second Basement Floor of Empire Hotel, has been sued by certain suppliers (for amounts due and owing in the Small Claims Tribunal) (the "Small Claim Cases"). The management company of Fooklore is assisting to involve in negotiations with the respective claimants for settlement. The Company will make further disclosure of the Small Claim Cases wherever appropriate or necessary.

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 2019, for the continuing operations the Group employed a total of 42 employees (2018: 60). Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK$10,593,000 (2018: approximately HK$14,428,000).

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 2019 (2018: Nil).

COMPETING INTERESTS

For the year ended 31 December 2019, 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.

COMPLIANCE OF THE CODE PROVISIONS

Throughout the year ended 31 December 2019, 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 separated 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 2019. 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 2019.

Pursuant to code provision C.1.3 of the CG Code, where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.

The auditors of the Company issued a disclaimer of opinion over the Group's ability to continue as a going concern due to the conditions indicate the material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. They are: (i) the Group incurred a loss attributable to the owners of the Company of approximately HK$10,887,000 and had net cash used in operating activities for the year ended 31 December 2019; (ii) as of that date, the Group's current liabilities exceeded its current assets by approximately HK$42,643,000; (iii) the Group had net liabilities of approximately HK$7,193,000, in which total borrowings amounted to approximately HK$14,505,000, while its bank balances and cash amounted to approximately HK$1,966,000.

The Board has adopted and considered different measures with different dimensions to further improve its cash flow, e.g. (i) the Group has continued to enforce cost-saving measures to reduce the administrative and operating expenses and finance costs; (ii) negotiating with its suppliers and creditors to extend payment due date; (iii) seeking investors to issue new shares and/or convertible bonds; (iv) exploring other fund raising opportunities enable the Group to restructure its core business and to obtain funds to improve its financial position. In view of the aforesaid, the Board, including the Audit Committee, believes that the above measures, if materialised, will not only bring to the Group a significant improvement on the financial performance but also help to address the Disclaimer of Opinions of the Auditor, and accordingly is of the view that the Group could continue as a going concern.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 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 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 noncompliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company established an Audit Committee on 10 June 2003 with latest written terms of reference adopted on 31 December 2018 in compliance with the GEM Listing Rules. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Lau Man Tak, Mr. Yeung Wai Hung, Peter and Mr. Ma Stephen Tsz On. The chairman of the Audit Committee is Mr. Lau Man Tak, who has appropriate professional qualifications and experience in accounting matters.

The Group's audited consolidated financial statements for the year ended 31 December 2019 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.

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
Chow Cheuk Hang
Executive Director

Hong Kong, 25 March 2020

As at the date of this announcement, Mr. Chow Cheuk Hang and Mr. Eric Todd are executive Directors; Mr. Lau Man Tak, Mr. Yeung Wai Hung, Peter, and Mr. Ma Stephen Tsz On are independent non-executive Directors.