

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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)

PROPOSED ISSUE OF CONVERTIBLE BONDS AND RESUMPTION OF TRADING

PROPOSED ISSUE OF CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 7 June 2013. Pursuant to the Funding Arranger Agreement, the Investor has been procured to subscribe for the Convertible Bonds. On 22 November 2013 (after trading hours), the Company entered into the Subscription Agreement with CMS and the parties of the Guarantors in relation to the proposed issue of the secured Convertible Bonds by the Company at an aggregate principal amount of US\$25 million with a coupon rate of 3% per annum to CMS or CMS together with any Person designated by it, and to be guaranteed by the Guarantors and Coqueen. The Convertible Bonds will be subscribed at a price equal to 100% of the principal amount of the Convertible Bonds.

Based on the initial Conversion Price of HK\$0.56 per Conversion Share assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 346,062,500 Conversion Shares, representing approximately 66.76% of the issued share capital of the Company as at the date of this announcement and approximately 40.03% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercising the Conversion Right in full. The initial Conversion Price shall be subject to adjustment from time to time in accordance with the terms of the Convertible Bonds.

The Guarantors have on a joint and several basis unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Company under the Convertible Bonds and the performance of all obligations of the Company pursuant to the transaction documents including but not limited to the Subscription Agreement and the Bond Instrument. Coqueen has unconditionally and irrevocably guaranteed the due and punctual payment of all or any sums (whether principal, interest, fees or otherwise) which are or at any time may become due and payable by the Company under the Convertible Bonds.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be granted to the Directors at the EGM. The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue. The estimated net proceeds from the issue of the Convertible Bonds will be approximately HK\$183,465,000, representing a net Conversion Price of approximately HK\$0.53 per Conversion Share.

The Subscription is conditional upon, among other things, (i) the approval from the Shareholders at the EGM; and (ii) the listing committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares.

The EGM will be held to consider and, if thought fit, passing the resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and (ii) the grant of the Specific Mandate.

A circular containing, among other things, further details of the Subscription Agreement, the Subscription, the grant of the Specific Mandate together with the notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 25 November 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 26 November 2013.

THE SUBSCRIPTION AGREEMENT

Date: 22 November 2013 (after trading hours)

Parties: (i) the Company
(ii) the Guarantors
(iii) CMS

Reference is made to the announcement of the Company dated 7 June 2013. Pursuant to the Funding Arranger Agreement, the Investor has been procured to subscribe for the Convertible Bonds. On 22 November 2013 (after trading hours), the Company entered into the Subscription Agreement with CMS and the parties of the Guarantors relating to the proposed issue of the secured Convertible Bonds by the Company at an aggregate principal amount of US\$25 million with a coupon rate of 3% per annum to CMS or CMS together with any Person designated by it, and to be guaranteed by the Guarantors and Coqueen. The Convertible Bonds will be subscribed at a price equal to 100% of the principal amount of the Convertible Bonds.

Based on the initial Conversion Price of HK\$0.56 per Conversion Share assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 346,062,500 Conversion Shares, representing approximately 66.76% of the issued share capital of the Company as at the date of this announcement and approximately 40.03% of the issued share capital of the

Company as enlarged by the issue of the Conversion Shares upon exercising the Conversion Right in full. The initial Conversion Price shall be subject to adjustment from time to time in accordance with the terms of the Convertible Bonds.

The Guarantors have on a joint and several basis unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Company under the Convertible Bonds and the performance of all obligations of the Company under the Transaction Documents. Each Guarantor's obligation in this respect are contained in the Deed of Guarantee. Coqueen has unconditionally and irrevocably guaranteed the due and punctual payment of all or any sums (whether principal, interest, fees or otherwise) which are or at any time may become due and payable by the Company under the Convertible Bonds. Coqueen's obligations in this respect are contained in the Coqueen Deed of Guarantee.

CMS is a company incorporated in Hong Kong with limited liability, and an affiliate company of China Merchants Securities (HK) Co., Limited. China Merchants Securities (HK) Co., Limited is a corporation licensed under the Securities and Futures Ordinance to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the Securities and Futures Ordinance) and is also a holder of a money lender's licence. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CMS and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the connected persons (as defined in the GEM Listing Rules) of the Company and are not acting in concert with any of the connected person(s) and each other.

Conditions Precedent

The Subscription is conditional on, amongst others,

- (a) the execution and delivery (on or before the Closing Date) of the other Transaction Documents, each in a form satisfactory to each Investor, by the respective parties, and the perfection of the Security Interests;
- (b) the completion of (i) the Acquisition, (ii) the execution of the agreement of the Bridge Loan, and (iii) the completion of the SPV CB conversion and (iv) the execution of the SPV Shareholders' Agreement and delivery of the executed transaction documents in respect of the transactions contemplated under (i), (ii), (iii) and (iv) mentioned above and the Subscription Agreement;
- (c) on the Closing Date, (i) the representations, warranties and agreements of the Company and the Guarantors in the Subscription Agreement being true, accurate, complete and correct in all respects and not misleading in any respect at, and as if made on, such date; and (ii) the Company and the Guarantors having performed all of their respective obligations under the Subscription Agreement to be performed on or before such date;
- (d) up to the Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or otherwise), prospects, results of operations, general affairs or assets of the Company or of the Relevant Group;
- (e) on the Closing Date, neither the Company or any Guarantor nor any other Relevant Entity is in breach of or in default (nor has any event occurred which, with the giving of notice and/or the

passage of time and/or the fulfilment of any other requirement would result in a default by the Company, any Guarantor, or any other Relevant Entity) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound;

- (f) the transactions contemplated by the Transaction Documents and the Acquisitions remaining permitted by applicable law and not violating any applicable law, and no person having instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge any of the transactions contemplated by the Transaction Documents, the Acquisitions, the conversion of the convertible bonds issued by the SPV to the Company into fully paid ordinary shares of the SPV and the execution of the SPV Shareholders' Agreement or the Further Acquisitions or having threatened in writing to take any such action as a result of or in anticipation of the implementation of any of the transactions contemplated by the Transaction Documents, the Acquisitions, the conversion of the convertible bonds issued by the SPV to the Company into fully paid ordinary shares of the SPV and the execution of the SPV Shareholders' Agreement or the Further Acquisitions;
- (g) on or before the Closing Date, there having been delivered to the Investors opinions, in form and substance satisfactory to each Investor, dated the Closing Date of, (I) from the legal advisers to the Company as to Hong Kong law, such opinions with respect to (i) the capacity to enter into and due execution of the Transaction Documents by each of the HK Entities to which they are parties, (ii) the capacity to give the guarantee under the Deed of Guarantee by Loyal Wealth Enterprise Limited and the capacity to give guarantee under the Coqueen Deed of Guarantee by Coqueen, (iii) the enforceability of the Transaction Documents and (iv) any other related matters as the Investors may reasonably require; (II) from the legal advisers to the Company as to Cayman Islands law, such opinions with respect to (i) the Company's capacity to enter into and due execution of the Transaction Documents to which it is a party, (ii) the issue of the Convertible Bonds and the Conversion Shares and (iii) any other related matters as the Investors may reasonably require; and (III) from the legal advisers to the Company as to British Virgin Islands law, such opinions with respect to (i) the capacity to enter into and due execution of the Transaction Documents by each of the BVI Entities to which they are parties, (ii) the capacity to give the Deed of Guarantee by each of the BVI Entities and (iii) any other related matters as the Investors may reasonably require;
- (h) on or before the Closing Date, there having been delivered to each Investor an original certificate of the Convertible Bonds in the form attached to the Bond Instrument, dated as of the Closing Date, of a duly authorised officer of each of the Company and the Guarantors;
- (i) the Stock Exchange having approved the listing of, and permission to deal in, the Conversion Shares;
- (j) on or prior to the Closing Date there shall have been delivered to each of the Investor copies of all consents and approvals required in relation to the issue of the Convertible Bonds, the Conversion Shares issuable on conversion of the Convertible Bonds and the performance of the obligations of the Company and the Guarantors under the Transaction Documents and the Convertible Bonds (including the specific mandates of the Shareholders obtained at the EGM, the shareholder resolutions for each of the Guarantors and the chargors under the Security Documents and the consents and approvals required from all lenders) and such other consent and approval shall as of the Closing Date remain in full force and effect;

- (k) (i) the full repayment and discharge of a loan provided by a third party financier as detailed in the agreement of the Bridge Loan by the Company (the “**Loan Facility**”), (ii) the release of all security interests created or subsisting in favour of the lenders of the Loan Facility (including, without limitation, all claims and demands in connection with such security interests) and (iii) the delivery of such evidence of repayment in form and substance satisfactory to each Investor in fulfilment of its obligations pursuant to the Subscription Agreement, in each case on or prior to the Closing Date;
- (l) on or before the Closing Date, there having been delivered to the Investors a duly completed and signed report, in form and substance satisfactory to each of the Investors, from PricewaterhouseCoopers (the “**PwC Report**”) in relation to an assurance review of (i) the operational management of the Company and the Relevant Group including, without limitation, its management structure, the operational involvement of CPK and his affiliates, its corporate governance, its internal controls and its policies in respect of human resources, procurement and accounting, (ii) the consolidated financial statements of the Company and the Relevant Group;
- (m) the subscription of the Convertible Bonds having been approved by each Investor’s investment or other applicable committee and each Investor being satisfied with the results of its due diligence investigations with respect to the Company, the Guarantors, the FLM Parties and each other Relevant Entity;
- (n) Coqueen, CPK and Chui Tak Keung, Duncan shall have performed all the obligations contained in the Coqueen Deed of Undertaking up to the Closing Date and the Coqueen Deed of Undertaking shall remain in full force and effect;
- (o) the Company shall procure Magic Alliance to deliver to the Investors on the Closing Date written confirmations signed by Magic Alliance and its affiliates, in form and substance satisfactory to each Investor, confirming that, as of the Closing Date, neither the Company, nor any Guarantor or any FLM Party has any business with Magic Alliance or any of its affiliates and no liability has been incurred on the part of the Company, the Guarantors and/or the FLM Parties (including the confirmation of termination of the memorandum of understanding dated 13 December 2012 (as amended by a supplemental memorandum of understanding dated 25 April 2013) entered into by the Company and Magic Alliance or any of its affiliates; and
- (p) the Company shall on or prior to the Closing Date deliver to the Investors full details of its use of the HK\$40,000,000 proceeds from Magic Alliance received pursuant to a memorandum of understanding dated 13 December 2012 (as amended by a supplemental memorandum of understanding dated 25 April 2013) entered into by the Company and Magic Alliance.

The Investors may, severally and not jointly, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above conditions precedents (other than clause (j) and (k) above).

The completion of the Subscription shall take place on or before 10:00 a.m. (or such other later time as may be agreed by the Investors and the Company) on the Closing Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount of the Convertible Bonds:	US\$25 million
Authorised Denomination:	US\$1,000 each and integral multiples thereof
Conversion Price:	The Conversion Price of HK\$0.56 represents: <ul style="list-style-type: none">(i) a discount of approximately 6.67% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day;(ii) a discount of approximately 9.68% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the Last Trading Day; and(iii) a discount of approximately 11.81% to the closing price of HK\$0.635 per Share as quoted on the Stock Exchange for the last ten consecutive trading days preceding the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations between the Company and CMS with reference to the prevailing market prices and the liquidity of the Shares. The Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Exchange rate for determining the Conversion Price:	At a fixed rate of US\$:HK\$7.7518
--	------------------------------------

Adjustments to Conversion Price:	The Conversion Price will be subject to adjustment in the following events:-
---	--

(i) consolidation, reclassification or subdivision; (ii) capitalisation of profits or reserves; (iii) dividends; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi) issues at less than Current Market Price; (vii) other issues at less than Current Market Price; (viii) modification of rights of conversion etc.; and (ix) other offers to Shareholders.

Excluded Events: No adjustment shall be made to the conversion price of the Convertible Bonds as a result of (a) any issue of Shares upon the conversion of the Convertible Bonds, (b) the issue of the Consideration Convertible Bonds or any issue of Shares upon conversion of the Consideration Convertible Bonds, (c) any issues of Shares pursuant to a Qualifying Equity Placing (and only to the extent of the portion in excess thereof) which would result in the aggregate consideration receivable for the issue of such Shares, when aggregated with the aggregate consideration receivable for any issues of Shares pursuant to all prior Qualifying Equity Placings, to exceed HK\$90,000,000 or (d) any issues of Shares pursuant to the FLM Share Option Scheme.

**Conversion Price reset in
relation to Net Profit Target:**

If the Aggregate Net Profit (as defined below) of the Company does not equal or exceed the Net Profit Target (as defined below) for the financial year ending 31 December 2014 or the financial year ending 31 December 2015, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the effective date of adjustment by the following fraction:

$$\frac{A}{B}$$

where:

- A is the actual Aggregate Net Profit of the Company for such financial year; and
- B is the Net Profit Target (as defined below) for such financial year.

Such adjusted Conversion Price shall be rounded down, if necessary, to the nearest whole multiple of HK\$0.01.

“**Aggregate Net Profit**” means the consolidated net profit after tax of the Company for any financial year, as shown in the audited consolidated financial statements of the Company for such financial year. For any financial year in which the FLM Entities are not consolidated in the consolidated financial statements of the Company on the first day of such financial year, the reference to the audited consolidated financial statements of the Company for such financial year shall be deemed to be a reference to such audited consolidated financial statements after giving *pro forma* effect to the FLM Entities as if the FLM Entities had been consolidated in the audited consolidated financial statements of the Company as at the first day of such financial year and excluding any Minority Interests;

“**Net Profit Target**” means:

- (a) For the financial year ending 31 December 2014, the *pro forma* net profit after tax of not less than HK\$60,000,000 in aggregate based on the audited consolidated financial statements of the Company and the audited financial statements of each of FLM Entities, excluding (i) change in fair value of any asset/investments/derivatives, (ii) unrealised gain and/or loss recognized in respect of various assets, (iii) realised and unrealised gain and/or loss of Properties, (iv) finance costs of the Bridge Loan, and (v) the Minority Interests (if any), but including Realised Gain/Loss Upon Asset Disposal (as defined below). For the avoidance of doubt, the Net Profit for the financial year ending 31 December 2014 includes the consolidated net profit of the Company and 100% of the net profit (less the Minority Interests, if any) of the FLM Entities for such financial year.

“Realised Gain/Loss Upon Asset Disposal” means the difference between (1) the net proceeds resulting from sale of any asset of the Company (and/or its Subsidiary), and/or the FLM Entities, and (2) the book value of such asset of the Company and/or its subsidiary as set out in the audited consolidated financial statements of the Company as of 30 April 2013, or such asset of such FLM Entity as set out in the relevant audited financial statements as of 31 March 2013.

- (b) For the financial year ending 31 December 2015, the *pro forma* net profit after tax of not less than HK\$90,000,000 in aggregate based on the respective audited consolidated financial statements of the Company and the audited financial statements of the FLM Entities, excluding (i) change in fair value of any asset/investments/derivatives, (ii) unrealised gain and/or loss recognized in respect of various assets, (iii) realised and unrealised gain and/or loss of Properties, and (iv) the Minority Interests (if any), but including Realised Gain/Loss Upon Asset Disposal.

Notwithstanding the foregoing, any adjustment to the Conversion Price in relation to conditions under “Conversion Price Reset in relation to Net Profit Target” shall be subject to the following provisions:

- (i) any such adjustment to the Conversion Price shall be limited such that the Conversion Price shall only be adjusted to such extent which would not result in any Bondholder or any Bondholders acting in concert holding more than 29.99% of the Shares on a fully diluted and fully converted basis (assuming that the Consideration Convertible Bonds and the maximum number of Shares pursuant to the Qualifying Equity Placing have been issued) (the **“Price Reset Floor”**);
- (ii) the adjustment events set out under the section “Adjustments to Conversion Price” shall apply, *mutatis mutandis*, to the initial Conversion Price referred to in sub-paragraph (i) above to ensure that appropriate adjustments shall be made to any Conversion Price to reflect any events set out in the section under “Adjustments to Conversion Price”;
- (iii) any such adjustment to the Conversion Price shall only be a downward adjustment; and
- (iv) if the Aggregate Net Profit of the Company for the relevant financial year is a negative number, the Conversion Price shall be deemed to be the lowest Conversion Price as permitted under sub-paragraph (i) above.

The adjustment to the Conversion Price in relation to the Net Profit Target shall become effective on the date of publication of the Company’s audited consolidated financial statements for such financial year. Notwithstanding the foregoing, such adjustment shall not apply in the event that 50% or more of the principal amount of the Convertible Bonds has been converted into Shares pursuant to the Bond Instrument.

**Adjustment upon Discounted
New Issue or Qualifying
Equity Placing:**

- (a) Without prejudice to the section under “Adjustments to Conversion Price” and “Conversion Price Reset in relation to Net Profit Target” above (unless otherwise excluded from the “Excluded Events”), if the Company shall at any time or from time to time prior to conversion of the Convertible Bonds issue or sell any Shares or any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares or any other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, any Shares (each referred to as “**Equity Securities**”) at a price per Share (“**New Issue Price**”) that is less than the Conversion Price then in effect as of the record date or issue date of such Equity Securities, as the case may be (treating the price per Share, in the case of the issuance of any Equity Securities (other than Shares), as equal to (i) the sum of the price for such Equity Securities plus any additional consideration receivable (without regard to any anti-dilution adjustments) upon the subscription, conversion, exchange or exercise of such Equity Securities divided by (ii) the number of Shares initially underlying such Equity Securities), the Conversion Price then in effect shall be adjusted to be at least equal to the New Issue Price.

If, at any time or from time to time prior to full conversion of the Convertible Bonds, there shall be any modification or change of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Equity Securities (whether or not it is in accordance with the terms (including terms as to adjustment) applicable to such Equity Securities upon issue or otherwise) so that following such modification or change the consideration per Share receivable (the “**Modified Price**”) has been reduced and is less than the Conversion Price then in effect on the date of such modification or change, the Conversion Price in effect shall be adjusted to be at least equal to the Modified Price.

- (b) Notwithstanding any other provision of the Bond Instrument under “Adjustments to Conversion Price”, “Conversion Price Reset in relation to Net Profit Target” and “Adjustment upon Discounted New Issue or Qualifying Equity Placing”, the Conversion Price will, upon any issue of Shares pursuant to a Qualifying Equity Placing (as defined below) (and only to the extent of the portion thereof which would not result in the aggregate consideration receivable for the issue of such Shares, when aggregated with the aggregate consideration receivable for any issues of Shares pursuant to all prior Qualifying Equity Placing (as defined below), to exceed HK\$90,000,000) be subject to such adjustment to account the dilutive effect of such Qualifying Equity Placing (as defined below) and to maintain the overall percentage of the Shares into which the aggregate principal amount of the Convertible Bonds would convert on a fully diluted and as-converted basis immediately after the occurrence of such Qualifying Equity Placing (as defined below) to at least 27.5% (assuming that in any event the Consideration Convertible Bonds have been issued).

Conversion Shares: Assuming the Convertible Bonds in the principal amount of US\$25 million are fully converted at the Conversion Price, approximately 346,062,500 new Shares will be allotted and issued, which represent approximately 66.76% of the existing issued share capital of the Company as at the date of this announcement and approximately 40.03% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued under the Specific Mandate.

Interest: The Convertible Bonds bear interest from and including the Issue Date at the rate of 3% per annum of the principal amount of the Convertible Bonds, and is payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December in each year, commencing on 31 December 2013.

Maturity Date: being the day falling on the last day of the 42th month from the Issue Date (the “**Maturity Date**”)

Conversion Rights: Each Bondholder shall have the right, exercisable during the conversion period of the Convertible Bonds to convert the whole or any part (in multiples of US\$1,000) of the outstanding principal amount of the Convertible Bonds (the “**Conversion Rights**”)

Fractions of Shares will not be issued on exercise of the Conversion Rights and no cash payment or other adjustment will be made in lieu thereof.

Restriction on conversion of the Convertible Bonds: The Company may not allow conversion of the Convertible Bonds if such conversion will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder who exercised the Conversion Rights, represents 30% or more than (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company.

If the issue of the Conversion Shares would result in the Company failing to meeting its obligation under the GEM Listing Rules to maintain the minimum prescribed percentage of the Shares that must at all times remain in public hands, then such Conversion Right shall be deemed not to have been exercised.

Security: (I) As at the Issue Date:

the Bondholders have the benefit of, and the obligations of the Company, the Guarantors and Coqueen under the Transaction Documents are secured by, the security constituted by:

- (a) a first priority fixed and floating charge over and in respect of all of the assets and business undertakings now and hereafter owned by the SPV and in respect of its rights, benefit and title over such assets and business undertakings (other than the Collateral charged under the other Security Documents or the agreement of the Bridge Loan), as substituted, amended and supplemented from time to time (the “**SPV Debenture**”);
- (b) a first priority fixed and floating charge over and in respect of all of the assets and business undertakings now and hereafter owned by each of the Guarantors (except the SPV), and in respect of its rights, benefit and title over such assets and business undertakings (other than the Collateral charged under the other Security Documents), as substituted, amended and supplemented from time to time (together, the “**Guarantor Debentures**”); and
- (c) (i) a first priority fixed charge on all of the Capital Stock of each of the Guarantors (except the SPV) now and hereafter owned by the holders of each of the Guarantors (except the SPV) in respect of their rights, benefit and title over such Capital Stock and all dividends and other income and distributions relating thereto, as substituted, amended and supplemented from time to time, (ii) a second priority fixed charge on all of the issued share capital of the SPV owned by the SPV Subscriber (representing 50% of the total issued share capital of the SPV as at the date of the Bond Instrument) and in respect of its rights, benefit and title over such shares and all dividends and other income and distributions relating thereto, as substituted, amended and supplemented from time to time (the “**Issuer Share Charges**”).

(II) As at the Issue Date:

the Bondholders have the benefit of, and the obligations of the Company under the Convertible Bonds are secured by, the security constituted by:

- (a) a second priority fixed charge on all of the Capital Stock of the FLM Entities (except the SPV, FLM HK and FLM Kowloon) now and hereafter owned by the SPV Subscriber, the SPV or any of their Subsidiaries of the Capital Stock of the FLM Entities (except the SPV, FLM HK and FLM Kowloon) and in respect of their rights, benefit and title over such Capital Stock and all dividends and other income and distributions relating thereto, as substituted, amended and supplemented from time to time; and
- (b) a second priority fixed charge on all of the issued share capital of the FLM HK and FLM Kowloon owned by the SPV (representing 89.26% of the total issued share capital of FLM HK and 86% of the total issued share capital of FLM Kowloon as at the date hereof, respectively) and in respect of their rights, benefit and title over such shares and all dividends and other income and distributions relating thereto, as substituted, amended and supplemented from time to time (together with (a) above, the “**FLM Share Charges**”) (The FLM Share Charges together with the Issuer Share Charges will collectively be referred to as “**Share Charges**”).

New Mortgage Loan:

On or after the repayment in full of the Bridge Loan, subject to the conditions as set out in the Bond Instrument, and release of the agreement of the Bridge, the Company may enter into an agreement or arrangement in writing to incur new indebtedness (the “**New Mortgage Loan**”) borrowed from one or more commercial banks which is/are organised under the laws of, or a branch of a bank which is located in, Hong Kong.

Financial Covenants:

The Company undertakes that from the Issue Date and for so long as any Convertible Bonds is outstanding, it shall ensure; amongst others,

(i) Consolidated Total Borrowings shall not at any time exceed 6.0 times Consolidated EBITDA; (ii) Consolidated EBITDA shall not at any time be less than 3.5 times Consolidated Finance Charges; (iii) Consolidated Total Borrowings shall not at any time exceed 0.7 times total equity attributable to Shareholders, (iv) The aggregate amount of the financial indebtedness (excluding the outstanding amount of the Bonds and the Bridge Loan) of the Group shall not exceed 50% of the market value of the Properties and such financial indebtedness shall be incurred by the Group on arm’s length terms from commercial banks in the ordinary course of its business; and (v) The Loan to Value ratio for the Convertible Bonds shall not at any time exceed 1:1.

Equity Financing:

So long as any Convertible Bond remains outstanding, the Company will not, and will ensure that no member of the Group will:

- (i) issue or sell any Shares (other than the Conversion Shares) or issue or grant any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, save with the approval of a resolution of the Majority Bondholders; except that this restriction shall not apply to (a) the issue of the Consideration Convertible Bonds as described in the Further Acquisitions Documents and the Conversion Shares issuable pursuant to the condition of the Consideration Convertible Bonds, (b) any Qualifying Equity Placing, (c) any issue of any options to subscribe for Shares pursuant to the FLM Share Option Scheme and the Shares issuable pursuant to the exercise of such option and (d) the issue of the Convertible Bonds and the Conversion Shares issuable on the exercise of the Conversion Right; or
- (ii) except for the transactions contemplated under the Further Acquisitions, issue or sell any shares of Capital Stock of any member of the Group or issue or grant any options, warrants or other rights to subscribe for, purchase or otherwise acquire any shares of Capital Stock of any member of the Group.

Notwithstanding the foregoing, the Company will not, and will ensure that no member of the Group will, from the Issue Date to the later of (i) the repayment in full of the Bridge Loan, (ii) the date on which all of the Convertible Bonds have been converted, redeemed or repurchased and cancelled in accordance with these conditions and (iii) the Maturity Date issue the Consideration Convertible Bonds or the Conversion Shares issuable upon conversion of the Consideration Convertible Bonds.

“Qualifying Equity Placing” means, the placing of Shares with investors in one or more transactions (including the placing of warrants by the Company pursuant to the placing agreement in relation to the placing of warrants dated 24 October 2013) for an aggregate consideration receivable of up to HK\$150,000,000 (the **“Qualifying Equity Placing Cap”**) on or after 1 October 2013 and to the date when no Convertible Bonds remains outstanding; provided that

- (a) no Qualifying Equity Placing may occur after the date falling 18 months from the Issue Date;
- (b) the proceeds of any Qualifying Equity Placing shall not be used to purchase, in full or in part, the Minority Interests; and
- (c) for each Qualifying Equity Placing, the placing price per Share for any such Shares shall be at least the Minimum Placing Price (as defined below) and result in a minimum aggregate consideration receivable for such Shares of not less than HK\$10,000,000.

CMS shall have a right of first refusal pursuant to the Bond Instrument to be appointed as the placing agent in connection with any such Qualifying Equity Placing.

“**Minimum Placing Price**” means a gross placing price of HK\$0.70 per Share and is subject to adjustment if there shall be a consolidation, reclassification or subdivision in relation to the Shares

Restricted Payments:

So long as any Convertible Bond remains outstanding, the Company will not, and will ensure that no member of the Group will, directly or indirectly, without the approval by resolution passed by the Majority Bondholders:

- (a) declare or pay any dividend or make any distribution on or with respect to any of the Company’s or any member of the Group’s Capital Stock;
- (b) except for the Further Acquisitions or acquisition of any of the Minority Interests, purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any member of the Group held by any Persons other than the Company or any of its wholly-owned subsidiaries;
- (c) make any principal payment, or redemption, repurchase, defeasance, or other acquisition or retirement for value, of financial indebtedness that is subordinated in right of payment to the Convertible Bonds;
- (d) except for any inter-company loans between the Company and/or any FLM Entities, make any loan, or provide any form of credit or financial accommodation, to any other Person or give or issue any guarantee, indemnity, bond or letter of credit to or for the benefit of, or in respect of liabilities or obligations of, any other Person or voluntarily assume any liability of any other Person.

Disposals and Acquisitions:

So long as any Convertible Bond remains outstanding and subject to clause under the section “Business Activities”, the Company will not, and will ensure that no member of the Group will, (I) enter into any transaction to sell, lease, transfer, assign or otherwise dispose of any asset, unless such sale, lease, transfer or other disposal, amongst others, the ordinary and usual course of the Permitted Business; and (II) acquire a company or any Capital Stock or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company, other than, inter alia, (i) in the ordinary course of the Permitted Business; (ii) pursuant to the Further Acquisitions; (iii) the acquisition(s) of the Minority Interests following the completion of the Further Acquisitions.

Business Activities:

So long as any Convertible Bonds remains outstanding, the Company will not, and will ensure that no member of the Group will including, but not limited to (a) engage in any business other than its Permitted Business; (b) CPK and/or his affiliates shall occupy or appoint the key positions of FLM Entities; (c) the Company will ensure the acquisition of the entire GFL Business by the SPV Subscriber shall be completed by no later than 31 December 2014.

Further Acquisitions:

The Company undertakes that:

- (i) it will issue the Consideration Convertible Bonds in accordance with the terms and conditions regarding the Further Acquisitions;
- (ii) so long as any Convertible Bond remains outstanding, it will exercise and enforce its rights under the Consideration Convertible Bonds and the Consideration Promissory Notes to the full extent permitted by the terms contained therein and under applicable law;
- (iii) so long as any Convertible Bond remains outstanding, it will not amend, modify, change or waive any terms and conditions of the Consideration Convertible Bonds or the Consideration Promissory Notes; and
- (iv) so long as any Convertible Bond remains outstanding, it will not redeem any of the Consideration Convertible Bonds prior to their stated maturity (including pursuant to any put option granted to the holders of the Consideration Convertible Bonds but excluding any reduction or cancellation of the principal amount of the Consideration Convertible Bonds effected without any payment from the Company (whether directly or indirectly) in accordance with the terms of the Consideration Convertible Bonds) or the Consideration Promissory Notes prior to their stated maturity,

and it will not, and will procure that no member of the Group will, repurchase any of the Consideration Convertible Bonds or the Consideration Promissory Notes, in each case of sub-paragraphs (i) to (iv) above, without prior approval by a resolution passed by Majority Bondholders.

Board Seat:

The Initial Purchasers shall have the right to appoint any Person as a non-executive director of the Company, subject that, upon the date on which the Bondholders have exercised their Conversion Rights over in aggregate 50% or more of the principal amount of the Convertible Bonds, such appointed non-executive director shall resign immediately.

Redemption:**(A) Maturity**

The Company will redeem each Convertible Bond on the Maturity Date, being the day falling on the last day of the 42th month from the Issue Date at the outstanding principal amount together with interest accrued to the Maturity Date and such amount as would result in an Internal Rate of Return on the Convertible Bonds to be redeemed of 12% per annum from the Issue Date to the Maturity Date.

(B) Redemption at the Option of Bondholders

Each Bondholder will have the right to require the Company to redeem some or all of such holder's Convertible Bonds if a put exercise notice is served on the Company at any time during a 10-Business Day period commencing on the 30th month anniversary of the Issue Date or a 10-Business Day period commencing on the 36th month anniversary of the Issue Date (each a "**Put Option Period**" and an "**Option Put Date**") at the outstanding principal amount together with the interest accrued and such additional amount as would result in an Internal Rate of Return on the Convertible Bonds to be redeemed of 12% per annum from the Issue Date to the relevant date of redemption.

(C) Redemption for a Relevant Event

Following the occurrence of a Relevant Event, the Bondholder will have the right, to require the Company to redeem some or all of such holder's Convertible Bonds at an amount equal to the greater of (a) the assessed value on the relevant event put date and (b) the sum of (i) 100% of the principal amount outstanding of the Convertible Bonds to be redeemed together with interest accrued and (ii) such additional amount as would result in an Internal Rate of Return on the Convertible Bonds to be redeemed of 25% per annum from the Issue Date.

A "**Relevant Event**" including but not limited to, shall occur if:

- (a) the SPV Subscriber fails to complete the Further Acquisitions on or before 30 September 2014;
- (b) the Conversion Price reset mechanism would, have resulted in the Conversion Price being adjusted below the Price Reset Floor;
- (c) the Company ceases to hold, directly or indirectly, (a) 100% of the Capital Stock of each of Good Capital, Loyal Wealth Enterprise Limited and the SPV Subscriber and/or (b) (i) prior to completion of the Further Acquisitions, 50% or more of the Capital Stock of the SPV and (ii) following completion of the Further Acquisitions, 100% of the Capital Stock of the SPV;
- (d) the change of key management of the FLM Entities, namely Mr. Chui Tak Keung, Duncan and Ms. Chui Shuk Wah, Janet.

Conversion Period:

After the Issue Date and up to the Maturity Date.

Events of Default:

(i) default payment of any principal, interest or premium of the Convertible Bonds, (ii) failure of delivery of Conversion Shares, (iii) Breach of obligations of the Company, any Guarantor, Coqueen, any Chargor or any other member of the Group, (iv) cross-default, (v) enforcement proceedings and security enforced, (vi) winding-up, (vii) insolvency, (viii) nationalisation or compulsory acquisition, (ix) authorisation and consents, (x) delisting, (xi) illegality, (xii) guarantee and security, (xiii) cross default regarding the Bridge Loan,

then Bondholders holding in aggregate not less than 25% of the principal amount of the Convertible Bonds then outstanding may, at their discretion, give notice to the Company that their Convertible Bonds are, and they shall immediately become, due and repayable at an amount equal to the greater of (1) the Fair Market Value of the Convertible Bonds on the date on the date of repayment and (2) the sum of (a) 100% of the principal amount outstanding of the Convertible Bonds to be repaid together with interest accrued to the date of repayment and (b) such amount as would result in an Internal Rate of Return on the Convertible Bonds to be repaid of 25% per annum from the Issue Date to the date of repayment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Rights in respect of their Convertible Bonds pursuant to the Bond Instrument.

Ranking:

The Conversion Shares will rank *pari passu* with the Shares.

Transferability:

The Convertible Bonds are freely transferable.

Status:

The Convertible Bonds constitute direct, senior, unsubordinated, unconditional and secured obligations of the Company. The Convertible Bonds are secured in the manner set out in the Bond Instrument and shall at all times rank *pari passu* and without any preference or priority among themselves.

Negative pledge:

So long as any Convertible Bond remains outstanding, the Company will not, and will ensure that no member of the Group will create or have outstanding any Security Interest (excluding (a) those as set out in the Bond Instrument and (b) the Security Interests upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any financial indebtedness save and except any financial liabilities or exposures specified or contemplated herein, or any guarantee or indemnity in respect of any Financial Indebtedness save and except any financial liabilities or exposures specified or contemplated herein, without the prior approval by resolution of the Majority Bondholders.

Notwithstanding the foregoing, so long as any Convertible Bond remains outstanding, the Company will not, and will ensure that neither the SPV Subscriber nor any FLM Entity will, create or have outstanding any Security Interests on the Collateral, except (i) the Security Interests and (ii) the Security Interests created pursuant to the agreement of the Bridge Loan.

Application for listing:

No application shall be made to the Stock Exchange for the listing of the Convertible Bonds. Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

The Group has been principally engaged in the local catering business and business of securities investments.

The Directors are of the view that the entering into of the Subscription Agreement represents a good opportunity to raise additional funds for the Company in order to repay the outstanding liabilities and strengthen the Group's cash flow capability while facilitating the ongoing development of the business of the Group and strengthening the cooperation between the Group and the FLM Entities. In addition, the Subscription will provide immediate funding without immediate dilution to the shareholding of the existing Shareholders, and, on exercise of the Conversion Rights, benefit the long-term development of the Company by broadening the capital base of the Company.

As such, the Directors are of the view that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Pursuant to the Subscription Agreement, the Company shall use all the proceeds from the issue of the Convertible Bonds to repay part of the principal amount and all accrued and unpaid interest and fees and any other amounts (including break fees and other penalties) payable under the Bridge Loan in accordance with the terms of the Bridge Loan. Based on the Fixed Exchange Rate, the gross proceeds from the issue of the Convertible Bonds of approximately HK\$193,795,000 shall be applied in full to repay the Bridge Loan. Related expenses of approximately HK\$10,330,000 shall be borne by the Company. Taking into account the expenses borne by the Company in the issue, the estimated net proceeds from the issue of the Convertible Bonds will therefore be approximately HK\$183,465,000 representing a net Conversion Price of approximately HK\$0.53 per Conversion Share.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Bonds:

	As at the date of this announcement		Immediately after the full exercise of the conversion rights attaching to the Convertible Bonds	
	<i>No. of Shares</i>	<i>approx. %</i>	<i>No. of Shares</i>	<i>approx. %</i>
Upper Run Investments Limited ("Upper Run") (Note 1)	101,909,990	19.66%	101,909,990	11.79%
Tang Anthony Mong Fai	99,996,237	19.29%	99,996,237	11.57%
CMS (Note 2)	–	–	346,062,500	40.03%
Other public Shareholders	316,453,773	61.05%	316,453,773	36.61%
Total	518,360,000	100.00%	864,422,500	100.00%

Note:

1. These Shares were beneficially owned by Upper Run, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Ms. Winky Chan. By virtue of the SFO, Ms. Winky Chan is deemed to be interested in the Shares held by Upper Run. Kingston Finance Limited (“**Kingston**”) had a security interest in 1,010,000,000 Shares owned by Upper Run as at 31 January 2013, which related to the same block of the Shares held by Upper Run abovementioned. Based on disclosure of interest filed by Kingston on 6 February 2013, Kingston has no interests in the Company.
2. The number of Conversion Shares shown under scenario (ii) above as upon full conversion of the Convertible Bonds is for illustrative purpose only. Pursuant to the Bond Instrument, the Company may not allow conversion of any portion of the outstanding principal amount of the Convertible Bonds if such conversion will trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Code**”) on the part of the Bondholder who exercised the Conversion Right, whether or not such mandatory offer obligation is triggered by the fact that the number of Shares to be allotted and issued upon the exercise of the Conversion Right (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder) represents 30% or more (or such other percentage as stated in Rule 26 of the Code in effect from time to time) of the then issued ordinary share capital of the Company.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement/circular	Event	Net proceeds	Intended use of proceeds as stated in the announcement(s)/ circular(s) of the Company	Actual use of proceeds
1 February 2013, 5 February 2013, 7 February 2013 and 18 March 2013	Placing of convertible bonds under general mandate	Approximately HK\$14.76 million	To be used by the Company as general working capital of the Group	As intended
27 March 2013, 9 May 2013, 10 May 2013, 24 May 2013 and 7 June 2013	Placing of convertible bonds under specific mandate	A maximum approximate amount of HK\$247.5 million	To finance the very substantial acquisition as set out in the circular of the Company dated 20 April 2013	(Note 1)
7 June 2013 and 6 July 2013	Issue of convertible bonds under specific mandate	Approximately HK\$185.51 million (based on an indicative exchange rate of US\$/HK\$: 7.7614 as at 6 June 2013 quoted by Treasury Market Association)	To finance the acquisition of the Operation Companies and/or as general working capital of the SPV and Operation Companies	(Note 2)

Date of announcement/circular	Event	Net proceeds	Intended use of proceeds as stated in the announcement(s)/ circular(s) of the Company	Actual use of proceeds
25 October 2013, 31 October 2013 and 14 November 2013	Placing of non-listed warrants under general mandate	The net proceeds from the placing of warrants are estimated to be approximately HK\$828,800. Assuming the full exercise of the subscription rights attaching to the warrants, it is expected approximately HK\$72,100,000 will be further raised (“ Further Proceeds ”).	Proceeds from the placing of warrants intended to be used as general working capital of the Group; the Further Proceeds will be used as general working capital for the Group and repayment of liabilities of the Group.	As intended

Notes:

- Reference is made to the announcements dated 27 March 2013, 9 May 2013, 10 May 2013 and 7 June 2013 and circular dated 24 May 2013 of the Company. The placing agreements in relation to the placing of convertible bonds in the principal amount of up to HK\$256,200,000 were terminated on 6 June 2013 pursuant to and upon the execution of the Funding Arranger Agreement.
- On 6 June 2013, the Company entered into a framework agreement in relation to, among others, the convertible bonds to be issued in the principal amount of US\$25 million (approximately HK\$195 million). As at the date of this announcement, relevant formal agreement in relation to the issue of convertible bonds by the Company has yet to be entered into. The Company will make further announcement upon execution of the formal agreement in relation to the issue of convertible bonds by the Company pursuant to the GEM Listing Rules.

Save as disclosed above the Company has not conducted any equity fund raising exercise during the 12 months immediately preceding the date of this announcement.

GENERAL

An EGM will be held to consider and, if thought fit, passing the resolutions to approve (i) the Subscription Agreement and the transaction contemplated thereunder, including the subscription of the Convertible Bonds and the issue and allotment of the Conversion Shares; and (ii) the grant of the Specific Mandate.

A circular containing, among other things, further details of the Subscription Agreement, the Subscription, the grant of the Specific Mandate together with the notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 25 November 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 26 November 2013.

DEFINITION

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisitions”	the completion of (a) the transactions to acquire 89.26% of the issued share capital of FLM HK and 86% of the issued share capital of FLM Kowloon and their respective businesses, undertakings and assets by the SPV and (b) the corporate restructuring of the SPV, in each case in accordance with the convertible bond subscription agreement dated 17 December 2012 entered into among, the SPV, Coqueen, CPK, Chui Tak Keung, Duncan, the SPV Subscriber and the Company (as revised and supplemented by a supplemental convertible bond subscription agreement dated 14 May 2013 and as further revised and supplemented by a further supplemental convertible bond subscription agreement dated 31 May 2013)
“Authorised Denomination”	US\$1,000 each and integral multiples thereof
“Board”	the board of Directors
“Bondholder(s)”	the registered holder(s) of the Convertible Bonds
“Bond Instrument”	a bond instrument set out in a schedule of the Subscription Agreement
“Bridge Loan”	The term loan facility in the maximum aggregate amount of HK\$225,000,000 to be made available to the borrowers, as joint and several borrowers, on the terms set out in the agreement of the Bridge Loan
“Business Day(s)”	in relation to each relevant place, a day other than a Saturday or Sunday on which commercial banks are open for business in such place, except that for purposes transfer and registration of the Convertible Bonds, it means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Registrar is located and the city in which the specified office of the Company is located
“BVI Entities”	Good Capital, the SPV Subscriber and the SPV
“Capital Stock”	means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all classes of partnership interests in a partnership, any and all membership interests in a limited liability company, any and all other equivalent ownership interests and any and all warrants, rights or options to purchase any of the foregoing

“Closing Date”	Pursuant to the Subscription Agreement, the date on which the Company notifies CMS in writing that completion is to occur, provided that such date is (i) no less than five Business Days after the date on which the Company serves such notice on CMS and (ii) no later than 22 May 2014
“CMS”	China Merchants Securities Investment Management (HK) Co., Limited, a company incorporated in Hong Kong with limited liability
“Collateral”	means all collateral securing, or purported to be securing, directly or indirectly, the Company and/or Guarantors’ obligations under the Transaction Documents or the Convertible Bonds (as the case may be) or the guarantee pursuant to the Security Documents, as described under the section “Security” herein and pursuant to the Bond Instrument
“Company”	Chinese Food and Beverage Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription
“Consideration Convertible Bond(s)”	up to HK\$198,000,000 zero coupon convertible bonds issued by the Company to Coqueen in connection with, among other things, the Further Acquisitions
“Consideration Promissory Notes”	the 3% promissory notes up to an aggregate principal amount of not more than HK\$110,000,000 issued by the Company to Coqueen in connection with, among other things, the Further Acquisitions
“Consolidated EBITDA”	means, for any Relevant Period, the consolidated comprehensive income of the Group for that Relevant Period, before taking into account of: (i) any financing incomes and finance costs; (ii) any income taxation credits and income taxation expenses (and other taxes); (iii) share of results of associates; and (iv) profit and loss attributable to non-controlling interests; and (v) depreciation expense, amortisation expense and all other non-cash items reducing consolidated comprehensive income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing consolidated comprehensive income
“Consolidated Total Borrowings”	means at any time the aggregate amount of all obligations of the Group for or in respect of borrowings: (i) excluding the principal amount of the Convertible Bonds outstanding; and (ii) excluding any such obligations to any other member of the Group, and so that no amount shall be included or excluded more than once

“Consolidated Finance Charges”	means, for any Relevant Period, the aggregate amount of interest expenses, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of borrowings whether accrued, paid or payable and whether or not capitalized by any member of the Group in respect of that Relevant Period: (i) excluding any such obligations owed to any other member of the Group; (ii) excluding any interest expenses paid, payable or accrued on the Bridge Loan; (iii) including the interest element of leasing and hire purchase payments; (iv) including any amounts paid, payable or accrued by any member of the Group to counterparties under any interest rate hedging instrument; (v) deducting any amounts paid, payable or accrued by counterparties to any member of the Group under any interest rate hedging instrument; (vi) deducting any interest paid, payable to or accrued to the benefit of the Group on any deposit or bank account; and (vii) excluding any interest expenses paid, payable or accrued of the Convertible Bonds
“Conversion Price”	the initial conversion price HK\$0.56 per Conversion Share
“Conversion Share(s)”	approximate 346,062,500 new Shares to be issued and allotted upon exercise of the Conversion Rights in full at the Fixed Exchange Rate
“Convertible Bond(s)”	the convertible bonds in the principal amount of US\$25 million to be issued by the Company as detailed in the Subscription Agreement
“Coqueen”	Coqueen Company Limited, a company incorporated in Hong Kong with limited liability and owned by CPK, Chui Chan Oi Lin, Eileen, Chui Tak Keung, Duncan and Chui Shuk Wah, Janet
“Coqueen Deed of Guarantee”	means the deed of guarantee to be executed by Coqueen, as amended or supplemented from time to time
“Coqueen Deed of Undertaking”	the deed of undertaking dated 22 November executed as a deed poll by Coqueen, CPK, Chui Tak Keung, Duncan and CMS, as amended or supplemented from time to time
“Coqueen SPA”	the sale and purchase agreement to be entered into by, among others, the SPV Subscriber and Coqueen
“CPK”	Mr. Chui Pui Kun
“CTI”	Champion Tree Investment Limited, a company incorporated under the laws of Hong Kong
“Current Market Price”	in respect of a Share on a particular date, the arithmetic average of the Volume Weighted Average Price of a Share (being a Share carrying a full entitlement to Dividends or other entitlements) for each day during the ten (10) consecutive Trading Days ending on and including the Trading Day immediately preceding such date
“Deed of Guarantee”	the deed of guarantee, guaranteeing, inter alia, the obligations of the Company under the Convertible Bonds and the other Transaction Documents to be entered by the Guarantors

“Deed of Subordination”	means the deed of guarantee dated 22 November 2013 executed by the Company, the SPV and Coqueen, as amended or amended or supplemented from time to time
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, pass the relevant resolution as set out in the notice of the Company
“Fair Market Value”	with respect to any property on any date, the price that would be paid for that property in an arm’s length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy as determined by an Independent Expert in good faith and in a commercially reasonable manner
“Fixed Exchange Rate”	the exchange rate for determining the Conversion Price of US\$1 to HK\$7.7518
“FLM Business”	the business and undertakings conducted by the FLM Parties in connection with the operation and sale of premium Chinese restaurants and banqueting products and services under the brand name of Fook Lam Moon (福臨門) in Hong Kong, including the trademarks associated therewith
“FLM Entit(y)(ies)”	the SPV and its Subsidiaries from time to time, which for the avoidance of doubt shall include, without limitation, FLM HK and FLM Kowloon
“FLM HK”	Fook Lam Moon Restaurant Limited, a company incorporated in Hong Kong with limited liability
“FLM Kowloon”	Fook Lam Moon (Kowloon) Restaurant Limited, a company incorporated in Hong Kong with limited liability
“FLM Part(y)(ies)”	FLM HK, FLM Kowloon and CTI
“FLM Share Option Scheme”	the employee share option scheme in relation to the key management and employees of the FLM Business as to be approved by the Shareholders at an extraordinary general meeting of the Company
“Funding Arranger Agreement”	the funding arranger agreement entered into between FT Securities Limited and the Company dated 6 June 2013
“Further Acquisition Documents”	all the legal documents in relation to the Further Acquisitions to the satisfaction of the Initial Purchasers, including but not limited to any agreement, circular, announcement and closing documents in relation to the Further Acquisitions

“Further Acquisitions”	the acquisition by the SPV Subscriber from Coqueen of all of Coqueen’s holdings in the issued share capital of the SPV in consideration for, among other things, the Consideration Convertible Bonds and the Consideration Promissory Notes issued to Coqueen and on such terms as set out in and pursuant to the Coqueen SPA
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rule(s)”	the Rules Governing the Listing of Securities on the GEM
“GFL Business”	the business and undertakings conducted by Guo Fu Lou Management Limited and its subsidiaries in connection with the operation and sale of premium Chinese restaurants and banqueting products and services under the brand name of Guo Fu Lou (國福樓) in Hong Kong
“Good Capital”	Good Capital Investment Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guarantor(s)”	Good Capital, Rich Paragon Limited, Loyal Wealth Enterprise Limited and the SPV
“HK Entities”	Loyal Wealth Enterprise Limited, FLM HK, FLM Kowloon and CTI
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Purchaser(s)”	initial purchaser(s) of the Convertible Bonds as at the Issue Date, being CMS and/or its affiliates or any person designated by it to subscribe any Convertible Bond on the Issue Date
“Intercreditor Agreement”	the intercreditor agreement dated 22 November 2013 executed by, among others, the Company, the Guarantors, the Bondholders, the lender and agent of the Bridge Loan, as amended or supplemented from time to time
“Internal Rate of Return”	the annualized effective compound rate of return, as a discount rate, which shall result in the net present value of all future cash flows received to be equal to the initial investment amount (being, for these purposes, the Authorised Denomination for each Convertible Bond), provided that, such determination shall take into account the interest payments received in respect of such Convertible Bond from the Issue Date and any accrued interest payable on the relevant redemption date
“Investor(s)”	CMS and/or any such Person as designated by CMS on the terms and subject to the conditions of the Subscription Agreement
“Issue Date”	the date of issue of the Convertible Bonds

“Last Trading Day”	22 November 2013, being the last trading day immediately prior to the release of this announcement
“Loan to Value”	at any time, the aggregate principal amount of the Convertible Bonds outstanding plus accrued but unpaid interest or premium to the Convertible Bonds, Bridge Loan and any outstanding loan amount of the financial indebtedness as a percentage of the market value of the Properties as determined in accordance with the most recent valuation (minus the portion attributable to shareholders of the Minority Interests, if any) plus the amount of cash collateral pledge charged in favor of Investors by the Company
“Magic Alliance”	Magic Alliance Investment Limited
“Majority Bondholder(s)”	means, at any time, any one or more holders holding the Convertible Bonds or being proxies or representatives in respect of the Convertible Bonds and representing, in the aggregate, more than 50% of the aggregate principal amount of all Convertible Bonds then outstanding; save that, for such time as an Initial Purchaser holds 12.5% or more of the aggregate principal amount of all Convertible Bonds then outstanding, Majority Bondholders must also include any such Initial Purchaser
“Minority Interests”	any remaining Capital Stock of the FLM Entities (including FLM HK and FLM Kowloon) from minority shareholders following the completion of the Further Acquisitions
“Non-restricted Assets”	such assets of the Company which are not related to the FLM Business and GFL Business as set out in the Bond Instrument
“Operation Companies”	FLM HK and FLM Kowloon
“Permitted Business”	any of the food, beverage or catering businesses of the Company and any member of the Group (including the FLM Business and GFL Business), and any business which is related, ancillary, complementary to or supporting any of those businesses
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity)
“PRC”	the People’s Republic of China

“Properties”	<p>(i) 1/F to 4/F and Shop No. 2B, Ground Floor, Newman House, 35-45 Johnston Road, Wanchai, Hong Kong,</p> <p>(ii) Flat C, 3/F, Lai Yuen Apartments, 61 Russell Street, Causeway Bay, Hong Kong and</p> <p>(iii) 1/F, and Shop 8, G/F, Luna Court, 53-59 Kimberley Road, Tsimshatsui, Kowloon</p>
“Registrar”	Union Registrars Limited, the Share registrar of the Company and the register of the Convertible Bonds is to be kept in it
“Relevant Entit(y)(ies)”	the Company, the Guarantors, the FLM Parties and their respective Subsidiaries, and each a “ Relevant Entity ”
“Relevant Group”	the Company, the Guarantors, the FLM Parties and the Relevant Entities taken as a whole
“Relevant Period”	means each period of twelve months ending on the last day of the Company’s financial year and each period of twelve months ending on the last day of the first half of the Company’s financial year
“Relevant Stock Exchange”	Means at any time, in respect of the Shares, the GEM of the Stock Exchange or if they are not at that time listed and traded on the GEM of the Stock Exchange, such other internationally recognised stock exchange as agreed in writing by the Majority Bondholders
“Secured Obligations”	means the payment and other obligations of the Company in connection with the Transaction Documents, the Guarantors’ obligations in connection with the Deed of Guarantee and Coqueen’s obligations in connection with the Coqueen Deed of Guarantee
“Security Documents”	means, collectively, the security documents and any other agreements or instruments from time to time that may evidence or create any security in favour of the Bondholders in any or all of the Collateral and, as at the Issue Date, comprising of the SPV Debenture, the Guarantor Debentures and the Share Charges
“Security Interest”	means any mortgage, charge, lien, pledge, encumbrance, or other security interest of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, charge, lien, pledge, security interest, easement or encumbrance of any kind)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

“Specific Mandate”	the specific mandate to be sought from Shareholders at the extraordinary general meeting to be convened to authorise the Directors to allot and issue the Conversion Shares under the Subscription
“SPV”	Professional Guide Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability
“SPV CB Conversion”	the completion of the conversion of the convertible bonds issued by the SPV to the Company on 4 June 2013 into fully paid ordinary shares of the SPV and the execution of the shareholders’ agreement between the SPV Subscriber, Coqueen and the SPV
“SPV Subscriber”	Rich Paragon Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“SPV Shareholders’ Agreement”	the execution of the shareholders’ agreement between the SPV Subscriber, Coqueen and the SPV
“Subscription”	the proposed subscription of the Convertible Bonds by CMS pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 22 November 2013 entered into by the Company, the Guarantors and CMS in relation to the Subscription
“Subsidiar(y)(ies)”	means (a) any company or other business entity of which that Person owns and controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission of Hong Kong
“Trading Day”	Means a day when the Relevant Stock Exchange or relevant market is open for dealing business and on which Shares or other securities may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time)
“Transaction Documents”	The Subscription Agreement, the Convertible Bonds, the terms and conditions of the Convertible Bonds, the Deed of Guarantee, the Coqueen Deed of Guarantee, the Security Documents, the Intercreditor Agreement, the Deed of Subordination and the Coqueen Deed of Undertaking

“Volume Weighted Average Price”	in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page EQUITY VWAP or, in the case of securities other than Shares, the principal stock exchange or securities market on which such securities are then listed or quoted or dealt in or, in any other case, such other source as shall be determined to be appropriate by an independent expert on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency in the United States of America
“%”	per cent.

By order of the Board
CHINESE FOOD AND BEVERAGE GROUP LIMITED
Yu Sau Lai
Executive Director

Hong Kong, 26 November 2013

As at the date of this announcement, Ms. Yu Sau Lai and Mr. Lam Raymond Shiu Cheung are executive Directors; Mr. Matthew Pau and Mr. Hu Dongguang are independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and 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 7 days and on the Company website at www.cfbgroup.com.hk from the date of its publication.