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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)**

## **VERY SUBSTANTIAL ACQUISITION**

**Financial Adviser to the Company**



**KINGSTON CORPORATE FINANCE**

### **INTRODUCTION**

After further negotiations with the Vendor, the Board is pleased to announce that on 4 October 2019 (after trading hours of the Stock Exchange), Permanent Master, being a wholly-owned subsidiary of the Company (as purchaser) and Favorable Profit (as vendor) entered into the Sale and Purchase Agreement pursuant to which, among other things, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$12 million, which shall be settled by (i) way of payment in cash; and (ii) the issuance of the Promissory Notes. Upon Completion, the Target Companies will become subsidiaries of the Company.

### **GEM LISTING RULES IMPLICATIONS**

Given that one of the relevant percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

**Completion is subject to the satisfaction or (if applicable) waiver of the conditions precedent set out in the Sale and Purchase Agreement, which may or may not proceed. Further, Completion does not indicate the compliance by the Company in respect of Rule 17.26 of the GEM Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 9 August 2019 in relation to, among other things, the possible acquisition of the Target Companies pursuant to the MOU.

After further negotiations with the Vendor, the Board is pleased to announce that on 4 October 2019 (after trading hours of the Stock Exchange), Permanent Master, being a wholly-owned subsidiary of the Company (as purchaser) and Favorable Profit (as vendor) entered into the Sale and Purchase Agreement pursuant to which, among other things, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$12 million, which shall be settled by (i) way of payment in cash; and (ii) the issuance of the Promissory Notes. Upon Completion, the Target Companies will become subsidiaries of the Company.

Principal terms of the Sale and Purchase Agreement are set out below.

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 4 October 2019

**Parties:** (i) The Purchaser; and  
(ii) The Vendor

As at the date of this announcement, the Vendor is the sole legal and beneficial owner of the entire issued share capital of each of the Target Companies. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is an Independent Third Party.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

## Consideration

The Consideration shall be in the tentative amount of HK\$12 million, which shall, subject to adjustment(s) as disclosed in the section headed “*Profit Guarantees and Adjustments to the Consideration*” below (the “**Adjustment(s)**”), be settled and discharged by the Purchaser in the following manner:

- (i) HK\$4 million shall be settled and discharged by the Purchaser in cash at Completion;
- (ii) another HK\$4 million shall first be settled by the Purchaser’s issuance of the Promissory Note A upon Completion and the actual amount payable by the Purchaser to the Vendor for redemption of the said promissory note shall be subject to Adjustment (the “**Second Payment**”); and
- (iii) the remaining HK\$4 million shall, likewise, be settled by the Purchaser’s issuance of the Promissory Note B upon Completion and the actual amount payable by the Purchaser to the Vendor for redemption of the said promissory note shall be subject to Adjustment (the “**Third Payment**”).

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably guarantees that the Profit Before Taxation for the 2020 Guaranteed Period, 2021 Guaranteed Period and 2022 Guaranteed Period shall not be less than 2020 Profit Guarantee of HK\$3 million, 2021 Profit Guarantee of HK\$3.5 million and 2022 Profit Guarantee of HK\$4 million, respectively. Any failure of the Target Companies to fulfil and/or meet any of the Profit Guarantees in any of the Guaranteed Periods shall result not only in such Adjustments to the Second Payment or the Third Payment (whichever shall be appropriate) but also render the Vendor being liable to pay the Profit Compensation.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to, among other things, the Profit Guarantees, the current economic circumstances, the location of the restaurants operating by the Target Companies and the future prospects of the Target Companies.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement, including the Consideration, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company intends to satisfy the cash payment of the Consideration through a number of means, including debt or equity financing, internal resources or a combination of them by reference to the then prevailing circumstances.

## Profit Guarantees and Adjustments to the Consideration

In case the Profit Before Taxation for the 2020 Guaranteed Period shall be less than the 2020 Profit Guarantee of HK\$3 million, the Vendor shall compensate the Purchaser on the relevant short-fall on a dollar-to-dollar basis, and hence, the Second Payment shall be adjusted downwards and reduced in accordance with the following formula:

$$\text{HK\$4,000,000} - (G_1 - A_1) = P_1$$

where

- $G_1$  is the 2020 Profit Guarantee of HK\$3 million;
- $A_1$  is the actual amount of Profit Before Taxation for the period from the 2020 Guaranteed Period or in the case of the Target Companies having suffered a loss during such period,  $A_1$  should be “0”;
- $P_1$  is the actual net amount of the Second Payment, which amount shall not be less than HK\$1 million or more than HK\$4 million.

Likewise, in case the Profit Before Taxation for the 2021 Guaranteed Period shall be less than the 2021 Profit Guarantee of HK\$3.5 million, the Vendor shall compensate the Purchaser on the relevant short-fall on a dollar-to-dollar basis, and hence, the Third Payment shall be adjusted downwards and reduced in accordance with the following formula:

$$\text{HK\$4,000,000} - (G_2 - A_2) = P_2$$

where

- $G_2$  is the 2021 Profit Guarantee of HK\$3.5 million;
- $A_2$  is the actual amount of Profit Before Taxation for the 2021 Guaranteed Period or in the case of the Target Companies having suffered a loss during such period,  $A_2$  should be “0”;
- $P_2$  is the actual net amount of the Third Payment, which amount shall not be less than HK\$0.5 million or more than HK\$4 million.

In case the Profit Before Taxation for the 2022 Guaranteed Period shall be less than the 2022 Profit Guarantee of HK\$4 million, the Vendor shall compensate the Purchaser on the relevant short-fall on a dollar-to-dollar basis, and the amount to be paid by the Vendor to the Purchaser as the Profit Compensation shall be computed in accordance with the following formula:

$$(G_3 - A_3) = P_3$$

where

- $G_3$  is the 2022 Profit Guarantee of HK\$4 million;
- $A_3$  is the actual amount of Profit Before Taxation for the 2022 Guaranteed Period or in the case of the Target Companies having suffered a loss during such period,  $A_3$  should be “0”;
- $P_3$  is the actual amount to be paid by the Vendor to the Purchaser as the Profit Compensation, which shall be no more than HK\$4 million and not less than HK\$0.

The Profit Compensation shall be paid by the Vendor to the Purchaser in cash within one (1) month of the issuance of the respective audited accounts of the Target Companies for the 2022 Guaranteed Period (both days inclusive), and in the case of such audited accounts being issued on different dates, then the corresponding one (1) month period shall commence on the Business Day on which the last such audited accounts is, or shall be, issued.

The Vendor irrevocably undertakes to the Purchaser that forthwith upon Completion, the respective Target Companies shall, and the Vendor shall procure the respective Target Companies to, appoint such auditor as nominated by the Purchaser as auditor of the respective Target Companies, and the audited accounts of the respective Target Companies prepared and issued by such newly appointed auditor shall be valid, binding and effective vis-a-vis the Parties as well as for Tax purposes.

To ensure all net profit of the respective Target Companies shall be effectively, accurately and properly computed, the Vendor shall use its best endeavours to ensure that the Completion Audited Accounts be prepared and issued within thirty (30) Business Days of the Completion Date.

#### **Conditions precedent**

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) all necessary consents, permits and/or approvals of the Acquisition by Shareholders at any special general meeting of the Company convened for considering, and if thought fit, approving the Acquisition as required under the GEM Listing Rules and all applicable laws and regulations, and all necessary approvals, consents, waivers and/or authorisations required under the GEM Listing Rules and all applicable laws and regulations of relevant regulatory authorities including the Stock Exchange in connection with the Acquisition and/or implementation thereof and all other matters incidental thereto having been obtained and remaining in full force and effect (collectively, the “**Necessary Approvals**”), which Necessary Approvals shall remain valid and effective up to and including the time immediately prior to Completion;
- (b) all licences the effectiveness as well as the issuance, granting, continuing, maintenance and validity of which shall be necessary for the restaurant operations and/or the operation and/or management of the respective Target Companies (the “**Licences**”) shall remain valid and effective up to Completion and not threatened with any variation, revocation, suspension, cancellation, withdrawal or otherwise adversely affected in any manner at any time prior to Completion;
- (c) the shareholding structure of the Target Companies remaining intact with the Vendor being, and remaining as, the sole shareholder of the respective Target Companies up to and including the time immediately prior to Completion;

- (d) the Vendor having delivered the full set of Accounts to the Purchaser within fourteen (14) Business Days of the execution of the Sale and Purchase Agreement;
- (e) the Purchaser having completed due diligence examinations on the legal, commercial, financial and other aspects of the respective Target Companies (the “**DD Examinations**”) as the Purchaser deems fit and appropriate, and the results and outcome of the DD Examinations are reasonably satisfactory to the Purchaser;
- (f) all the Vendor’s Warranties remaining true and accurate in all respects at Completion;
- (g) the Vendor having, and having procured the respective Target Companies to have, performed or complied, in all respects, with undertakings, covenants and agreements as set out in the Sale and Purchase Agreement;
- (h) the Purchaser having received the Completion Balance Sheet and the Purchaser having satisfied that there has not been any material adverse change to the financial position and net asset value of the respective Target Companies as from the Accounting Date up to and inclusive of the Completion Balance Sheet Date;
- (i) the Parties having agreed on the auditor as well as the terms and conditions of such auditor’s retainer for preparation and issuance of the Completion Audited Accounts; and
- (j) save and except for trade payables, no money is due or owing by the respective Target Companies to its directors, the Vendor or its ultimate beneficial owners, and vice versa.

Save and except for such Conditions as set out in paragraph (d) to (j) which may be waived in whole or in part by the Purchaser unilaterally at any time no later than the Long Stop Date by notice in writing to the Vendor, none of the Conditions can be waived. The Parties shall use their respective best endeavours to ensure that the Conditions (save and except such Conditions which have been waived by the Purchaser) shall be fulfilled and/or satisfied as soon as possible after the execution of the Sale and Purchase Agreement, and in any event, no later than the Long Stop Date.

Save as otherwise stated, if any of the Conditions (save and except such Conditions which have been waived by the Purchaser) shall not have been fulfilled or satisfied by the Long Stop Date, the Sale and Purchase Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except in relation to confidentiality etc. which shall remain valid, binding and effective, and none of the Parties shall have any claim or liabilities against the other Party save for any antecedent breaches.

If the Necessary Approvals for the Sale and Purchase Agreement and the transactions contemplated thereunder cannot be obtained within thirty (30) Business Days from the date of completion of the DD Examinations, the Vendor irrevocably and unconditionally

agrees that the Purchaser is entitled to carry out another DD Examinations provided that such further DD Examinations shall be completed by five (5) Business Days before the Completion Date, and the results and outcome of such further and/or follow-up due diligence examinations shall also be reasonably satisfactory to the Purchaser for Completion to take place.

As at the date of this announcement, none of the above conditions precedent has been fulfilled.

### **Completion**

Subject to the Conditions set out under the section headed “*Conditions precedent*” above, Completion will take place on the Completion Date.

At Completion, the Vendor shall deliver to the Purchaser the followings documents or instruments as well as such other additional or further documents or instruments as designated by the Purchaser in writing to the Vendor by no later than five (5) Business Days before the Completion Date:

- (a) duly executed original instrument of transfer and bought and sold notes in respect of the Sale Shares in favour of the Purchaser together with the original share certificate(s) in respect of the Sale Shares;
- (b) duly executed Form ND2A (as prescribed by the Companies Registry) for the appointment of the two (2) persons nominated by the Purchaser as the directors of the respective Target Companies and/or for resignation of any pre-existing directors of the respective Target Companies if so required by the Purchaser;
- (c) (to the Purchaser’s order) all cheque books, accounts including but not limited to the Accounts and the Completion Balance Sheet, statutory and corporate books and records, certificate of incorporation, common seals, business licences, company chops, minutes, resolutions and similar documents or things of the respective Target Companies;
- (d) a photostatic copy of all the relevant resolutions as set out in the sub-paragraph (f) below duly certified by a director of the respective Target Companies to be true and genuine copy;

- (e) written confirmation that:
  - (i) the Vendor's Warranties are true and accurate in all material respects by reference to the facts and circumstances subsisting up to and including the time immediately prior to Completion; and
  - (ii) written confirmation and/or approval of all relevant regulatory authorities to the Target Companies' becoming the new holder of the Licences;and
- (f) the Vendor shall pass the following resolutions of the board of directors of the respective Target Companies to:
  - (i) approve the registration of the Purchaser as member of each of the Target Companies in respect of the entire portfolio of the Sale Shares;
  - (ii) approve the issuance of new share certificate(s) (duly executed under seal) for the Sale Shares in the name of the Purchaser;
  - (iii) approve and confirm the cancellation of the existing share certificates for the Sale Shares in the name of the Vendor;
  - (iv) appoint the two (2) persons nominated by the Purchaser as the directors of the respective Target Companies;
  - (v) resign any pre-existing directors of the respective Target Companies if so required by the Purchaser; and
  - (vi) approve the auditor as well as the terms and conditions of such auditor's retainer for preparation and issuance of the Completion Audited Accounts.

At Completion, the Purchaser shall, where appropriate:

- (a) approve the auditor as well as the terms and conditions of such auditor's retainer for preparation and issuance of the Completion Audited Accounts;
- (b) procure the signing of the requisite documentations for the appointment of persons nominated by the Purchaser as new directors of the respective Target Companies;
- (c) deliver to the Vendor written confirmation that the Purchaser's Warranties are true and accurate in all respects by reference to the facts and circumstances subsisting up to and including the time immediately prior to Completion;
- (d) deliver to the Vendor the Promissory Notes in the form as set out in the Sale and Purchase Agreement;



- (e) execute the original instrument of transfer and bought and sold notes (which shall have been executed by the Vendor) in respect of the Sale Shares; and
- (f) deliver to the Vendor a copy, certified as true and complete by a director of the Purchaser, of resolutions of its board of directors approving the Sale and Purchase Agreement and the transactions contemplated thereunder as well as a copy, certified as true and complete by a director of the Board, of resolutions of the Board approving such transactions.

Upon Completion, the Target Companies will become subsidiaries of the Company, and the financial statements of the Target Companies will be consolidated into the financial statements of the Group.

### **Promissory Notes**

Pursuant to the Sale and Purchase Agreement, the Purchaser shall issue to the Vendor (or its nominee) the Promissory Notes with the aggregate principal amount of HK\$8 million upon Completion to settle part of the Consideration. The principal terms of the Promissory Notes are summarised as follows:

#### ***Promissory Note A***

Issuer:	The Purchaser
Noteholder:	The Vendor (or its nominee)
Principal amount:	HK\$4 million
Interest:	Nil
Maturity date:	31 March 2021 and such maturity date should be not less than one (1) month after the issuance of the respective audited accounts of the Target Companies for the 2020 Guaranteed Period, and in the case of such audited accounts being issued on different dates, then the corresponding one (1) month period shall commence on the Business Day on which the last such audited accounts is, or shall be, issued (the “ <b>1st Maturity</b> ”)
Transferability:	The Promissory Note A shall be freely transferrable or assignable by the noteholder to any persons provided that the noteholder shall serve a prior written notice to the Purchaser of not less than five (5) Business Days
Redemption by the Company:	The Promissory Note A could be redeemed by the Purchaser at any time from the issue date to the maturity date

### ***Promissory Note B***

Issuer:	The Purchaser
Noteholder:	The Vendor (or its nominee)
Principal amount:	HK\$4 million
Interest:	Nil
Maturity date:	31 March 2022 and such maturity date should be not less than one (1) month after the issuance of the respective audited accounts of the Target Companies for the 2021 Guaranteed Period, and in the case of such audited accounts being issued on different dates, then the corresponding one (1) month period shall commence on the Business Day on which the last such audited accounts is, or shall be, issued (the “ <b>2nd Maturity</b> ”)
Transferability:	The Promissory Note B shall be freely transferrable or assignable by the noteholder to any persons provided that the noteholder shall serve a prior written notice to the Purchaser of not less than five (5) Business Days
Redemption by the Company:	The Promissory Note B could be redeemed by the Purchaser at any time from the issue date to the maturity date

The maturity dates were determined after arm’s length negotiations between the Parties taking into account, among other things, (i) the mechanism of the Adjustments; and (ii) the expected timing for the auditors to issue the audited financial statements of the Target Companies for the 2020 Guaranteed Period and 2021 Guaranteed Period, respectively.

## **INFORMATION ON THE PARTIES TO THE ACQUISITION**

### **Information of the Company**

The Group is principally engaged in catering businesses in Hong Kong. It is the Group’s corporate strategy to explore other opportunity with good business potential and growth prospects.

The Company has 19% equity interest in Flame Soar Limited, with the focus of operating high-end Chinese restaurants serving high-quality Cantonese cuisine. Flame Soar Limited has developed strong brand and customer loyalty.

### **Information of the Vendor**

The Vendor, a company incorporated in the BVI with limited liability, is principally engaged in investment holding.

## **Information of the Target Companies**

The Target Companies consists of Target A, Target B and Target C and each of the Target Companies is wholly-owned by the Vendor.

The Target Companies operate chain Hong Kong-style restaurants (“**Cha Chaan Teng**”) under a brand namely “Red Rice”. Cha Chaan Teng is an iconic representation of Hong Kong’s fast-dining culture.

As at the date of this announcement, the Target Companies have three restaurant operations located in industrial areas with growing catering demand in Hong Kong, i.e. Lai Chi Kok and San Po Kong with the location advantage of having recurring consumption by the densely populated working classes and in residential area in Hong Kong, i.e. Tsz Wan Shan with recurring consumption by local families and by students from surrounding schools. The Target Companies have successfully established its brand as Cha Chaan Teng that provides high quality meals at bargained price. The Target Companies have always endeavoured to provide high-quality food for its customers in a comfortable and hygienic Cha Chaan Teng environment.

Given that consumers in Hong Kong are leading a faster-paced way of life, leaving them with less time and desire to prepare meals at home, and, as a result of their busy schedules, convenience is becoming an increasingly important criterion in their food purchasing decisions. Further, with an increasing number of women in the Hong Kong work force, the growth in the number of single person households and an aging population, it has led to more potential opportunities in the Cha Chaan Teng sector as customers seek out affordable and flexible dining options that suit their lifestyles. In recent years, local and traditional Hong Kong style restaurants, such as Cha Chaan Teng, dim sum, and street food stalls (Dai Pai Dong), which provide an authentic Hong Kong dining experience, are gaining popularity among tourists.

With the higher frequency of dining out, the management of the Target Companies believe that the overall growth trend and fragmented nature of the Hong Kong food and beverage market presents opportunities for the Target Companies to increase their market shares in Hong Kong. Upon Completion, the Group would keep abreast of market opportunities and strike a good balance between business growth and profitability. The Group will continue to work with the management of the Target Companies to effect its core strategy of prioritising its customers’ dining experience by maintaining stringent food safety and diversifying the menu to suit seasonal changes in order to attract a broader base of customers whilst ensuring that its signature dishes will continue to be served at the highest quality.

Mastery Union, being Target A, is principally engaged in restaurant operations located in Tsz Wan Shan. Mega Wealth, being Target B, is principally engaged in restaurant operations located in San Po Kong. Top Field, being Target C, is principally engaged in restaurant operations located in Lai Chi Kok.

Each of the Target Companies will be owned as to 80% by the Purchaser and 20% by the Vendor after Completion.

## FINANCIAL INFORMATION OF THE TARGET COMPANIES

The Target Companies has successfully established its brand as Cha Chaan Teng that provides high quality meals at bargained price. As advised by the management of the Target Companies, the supply cost are under constant review by an experience operation team, and food delivery services of the restaurant operations are kept at minimal to economize on staffing.

The combined financial information of the Target Companies as extracted from its accounts for the years ended 30 September 2017, 2018 and for the period from 1 October 2018 to 30 June 2019 are set out below:

	For the financial year ended		For the period from
	30 September	2018	1 October
	2017	2018	30 June 2019
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(unaudited)	(unaudited)
Revenue	16,386	32,341	34,120
Net profit (loss) before taxation	(33)	1,497	2,356
Net profit (loss) after taxation	(33)	1,147	2,006

The unaudited net asset value of Target Companies as at 30 September 2018 and 30 June 2019 were approximately HK\$1.1 million and HK\$1.5 million, respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in catering businesses in Hong Kong. As disclosed in the interim report of the Company for the six months ended 30 June 2019, it is the Group's corporate strategy to explore other industries with good business potential and growth prospects, including but not limited to, the food and beverage industry in the PRC. The Company has, from time to time, reviewed business projects and look for other investment opportunities in the catering and food processing industry in Hong Kong, aiming at exploring the feasibility of further expansion in the catering business, including but not limited to opening up new restaurants and food-related business.

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. It also installed an innovative facility which emits fragrant spray onto customers after dining so as to remove the 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.

In view of the current economic outlook in Hong Kong, the Company has been researching on possible diversification of business risk from focusing operation in the existing catering business. The Board aims to complement the existing mid-range quality dining with branded Cha Chaan Teng's quality dining style that is offered by the Target Companies, so as to diversify the risk of focused operation in the Korean catering business. The Board believes that, in light of the increase demand for high quality Cha Chaan Teng meals, this new business segment, if materialised, is expected to generate a growing and sustainable income source for the Group. The Directors are of the view that the Acquisition provides organic growth potential of high quality Cha Chaan Teng meals.

The Board further believes that as compared to the opening of a new restaurant, the Acquisition has a lower initial investment cost than opening a new restaurant and would result in immediate revenue contribution to the Group while identification of potential site and negotiation with potential landlord takes time. Through the Acquisition, the Group expects to derive an immediate earnings and cash flow contribution from the Target Companies.

The Board considers that the Acquisition are fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Given that one of the relevant percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **THE SGM**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Acquisition and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement no Shareholder has a material interest in the Acquisition and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

## **GENERAL**

A circular containing, among other things, (i) further details on the Acquisition and the transactions contemplated thereunder; (ii) the accountant's report on the Target Companies; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) other information as required under the GEM Listing Rules together with a notice of the SGM and a form of proxy, is expected to be despatched to the Shareholders. Pursuant to Rule 19.60 of the GEM Listing Rules, the Company shall despatch the circular to the Shareholders within 15 Business Days after the publication of this announcement, being 28 October 2019. In case further time is required by the Company to prepare the circular, the Company will notify the public by way of announcement(s) pursuant to Rule 19.36A of the GEM Listing Rules as and when appropriate.

**Completion is subject to the satisfaction or (if applicable) waiver of the conditions precedent set out in the Sale and Purchase Agreement, which may or may not proceed. Further, Completion does not indicate the compliance by the Company in respect of Rule 17.26 of the GEM Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**

## DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Accounting Date”	the date up to which the Accounts were prepared, being 30 September 2018
“Accounts”	the respective financial statements of the Target Companies for the financial year ended on the Accounting Date (which financial statements shall comprise of balance sheet, profit and loss account and notes)
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor as pursuant to the Sale and Purchase Agreement
“associates”	has the meanings as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“BVI”	the British Virgin Islands
“Company”	Chinese Food and Beverage Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on GEM (stock code: 8272)
“Company Registry”	the Companies Registry of Hong Kong
“Completion”	the completion of the Acquisition and the transactions contemplated thereunder pursuant to and in accordance with the Sale and Purchase Agreement

“Completion Audited Accounts”	audited financial statements of the respective Target Companies for the period commencing on the date immediately after the Accounting Date and ending on the Completion Date (both days inclusive), which financial statements shall comprise of balance sheet, profit and loss account, notes thereto and directors’ and auditors’ report, prepared by an auditor appointed by the Purchaser and be issued within thirty (30) Business Days of the Completion Date or such later period as the Parties may otherwise agree in writing
“Completion Balance Sheet”	the combined management balance sheet of the respective Target Companies made up to the last calendar day of the month immediately preceding the Completion Date and which shall be agreed to and accepted by the Purchaser
“Completion Balance Sheet Date”	the date up to which the Completion Balance Sheet is made, which date shall fall on the last day of the calendar month immediately preceding the Completion Date
“Completion Date”	the date of which Completion shall take place, being any Business Day within five (5) Business Days following the date on which all the Conditions have been fulfilled or satisfied or such later date as the Parties may otherwise agree in writing
“Condition(s)”	the condition(s) precedent to Completion which are set out in this announcement under the section headed “ <i>Conditions precedent</i> ”
“connected person(s)”	has the meanings as ascribed to it under the GEM Listing Rules
“Consideration”	HK\$12 million (subject to the Adjustments, details of which are set out in this announcement under the section headed “ <i>Profit Guarantees and Adjustment to the Consideration</i> ”), being the aggregate consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Companies upon Completion
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries



“Guaranteed Periods”	the 2020 Guaranteed Period, 2021 Guaranteed Period and 2022 Guaranteed Period
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	parties independent of the Company and its connected persons
“Long Stop Date”	5:00 pm on 31 December 2019 or such other date as may be agreed by the Purchaser and the Vendor in writing
“MOU”	the memorandum of understanding dated 9 August 2019 entered into by the Purchaser and the Vendor setting out the preliminary understanding in relation to the Acquisition, details of which are set out in the announcement of the Company dated 9 August 2019
“Parties”	collectively, the Purchaser and the Vendor
“PRC”	the People’s Republic of China
“Profit Before Taxation”	the sum of 100% of the audited profit before taxation of each of the Target Companies, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Profit Compensation”	pursuant to the terms in the Sale and Purchase Agreement, in case the Profit Before Taxation for the 2022 Guaranteed Period shall be less than the 2022 Profit Guarantee, the Vendor shall compensate the Purchaser on the relevant short-fall in the 2022 Profit Guarantee on a dollar-to-dollar basis
“Profit Guarantees”	collectively, the 2020 Profit Guarantee, 2021 Profit Guarantee and 2022 Profit Guarantee
“Promissory Note A”	the promissory note in the principal amount of HK\$4 million to be issued by the Purchaser to the Vendor (or its nominee) as partial settlement of the Consideration pursuant to the terms of the Sale and Purchase Agreement, the details of which are set out in the section headed “ <i>Promissory Notes</i> ” in this announcement

“Promissory Note B”	the promissory note in the principal amount of HK\$4 million to be issued by the Purchaser to the Vendor (or its nominee) as partial settlement of the Consideration pursuant to the terms of the Sale and Purchase Agreement, the details of which are set out in the section headed “ <i>Promissory Notes</i> ” in this announcement
“Promissory Notes”	collectively, the Promissory Note A and the Promissory Note B
“Purchaser” or “Permanent Master”	Permanent Master Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Purchaser’s Warranties”	the representations, warranties and undertakings given by the Purchaser contained or referred to in the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 October 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	80% of the entire issued shares capital in each of the Target Companies
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target A” or “Mastery Union”	Mastery Union International Limited, a company incorporated in Hong Kong with limited liability
“Target B” or “Mega Wealth”	Mega Wealth International Group Limited, a company incorporated in Hong Kong with limited liability
“Target C” or “Top Field”	Top Field Incorporation Limited, a company incorporated in Hong Kong with limited liability
“Target Companies”	collectively, Target A, Target B and Target C

“Tax”	all forms of taxation, estate duties, deductions, withholdings, duties, imposts, levies, fees, charges, social security contributions and rates imposed, levied, collected, withheld or assessed by any local, municipal, regional, urban, governmental, state, federal or other body in Hong Kong or elsewhere and any interest, additional taxation, penalty, surcharge or fine
“Vendor” or “Favorable Profit”	Favorable Profit Development Limited, a company incorporated in the BVI with limited liability, is ultimate beneficially-owned as to 85% by Mr. Cheng Kwok Wai and 15% by Miss. Kam Hiu Lan
“Vendor’s Warranties”	the representations, warranties and undertakings given by the Vendor contained or referred to in the Sale and Purchase Agreement
“Warranties”	collectively, the Purchaser’s Warranties and the Vendor’s Warranties
“2020 Guaranteed Period”	the period from the date immediately after the Completion Date to 31 December 2020
“2020 Profit Guarantee”	Profit Before Taxation for the 2020 Guaranteed Period shall not be less HK\$3 million
“2021 Guaranteed Period”	the financial year ending 31 December 2021
“2021 Profit Guarantee”	Profit Before Taxation for the 2021 Guaranteed Period shall not be less HK\$3.5 million
“2022 Guaranteed Period”	the financial year ending 31 December 2022
“2022 Profit Guarantee”	Profit Before Taxation for the 2022 Guaranteed Period shall not be less HK\$4 million
“%”	per cent.

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

Hong Kong, 4 October 2019

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.cfbgroup.com.hk](http://www.cfbgroup.com.hk).*