

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.



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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

This announcement is made by Chinese Food and Beverage Group Limited (the “**Company**”) on a voluntary basis.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The board of directors (the “**Directors**”) of the Company (the “**Board**”) is pleased to announce that on 13 January 2020 (after trading hours), a wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into a memorandum of understanding (“**MOU**”) with a target company (the “**Target Company**”) in relation to the possible acquisition (the “**Possible Acquisition**”) of its absolute control stake by way of subscribing its new and/or existing shares. The principal lines of businesses of the Target Company include distribution of ready-made meals by way of digital automated hot meal vending machines (the “**Meal Vending Machine(s)**”) and operations of small-to-medium sized Chinese food and beverage outlets (the “**Chinese Restaurants**”).

Information on the Target Company

Based on the information provided by the Target Company, the Target Company is forming a joint venture with a food and beverage partner in the People’s Republic of China (the “**PRC**”) (the “**Strategic Partner**”) which is an integrated catering provider from farming, food processing to digital automatic hot meal vending machines. Such a joint venture in which the Target Company holds 50% shall have the exclusive rights to launch the catering model with the Meal Vending Machines in the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macao Special Administrative Region of the PRC, Taiwan and other major cities in Asia. The Target Company anticipates that 500 meal vending machines will be invested, launched and operated in Hong Kong and the PRC in year 2020 and at least 1,000 machines will be placed across those densely populated areas in Hong Kong and the PRC in year 2021, including but not limited to schools, office building lobbies and public transport locations.

In addition, according to the Target Company, it holds a few operating Chinese Restaurants in Hong Kong providing stable cash flows. The Target Company also proposes to open several restaurants franchised under a famous Chinese chain restaurants.

Reasons for the Possible Acquisition

The Board is convinced that the market potential for distribution of ready-made meals by the Meal Vending Machines is very huge in Hong Kong and given that the penetration rate is extremely low for the moment, the Company could use the patents on the Meal Vending Machine held by the Strategic Partner to replicate the model across Hong Kong efficiently (the “**Vending Machine Business**”). Given that the space required by the Meal Vending Machine is small and that it is fully automated, the Board expects that the profit margin of the Vending Machine Business is higher than operating restaurants.

Furthermore, as advised by the Target Company, the Meal Vending Machines will have more advance features than traditional vending machines, for instance, the smart display interface on the Meal Vending Machines provide space for display of advertisements, which could help to generate other source of revenue besides the food-vending function at minimal cost. The Meal Vending Machines will also be equipped with artificial intelligence which allow pre-ordering via a mobile app with complementary functions such as order history, discount coupon, loyalty point system etc. that aid customer retention. It will also be equipped with optimised point-of-sale system that track and alert for refills of the popular food options which relieve the machine itself from the burden of high storage expenses and low sales volume. The Board believes that these new features will translate into higher profit margin for the Vending Machine Business.

The combination of the Chinese Restaurants and the Meal Vending Machines will further uplift the attractiveness and leverage the meal supply in its Meal Vending Business. With the 24 hours service of the meal vending machines, the Company will then be able to transform itself into running food and beverage business around the clock. Moreover, the Target Company is currently considering a centralised kitchen to be setup for the preparation of the food ingredients for the Meal Vending Machine, this aims to decrease the food costs and increase efficiency in operations through standardisation of recipes and economies of scale from procurement in bulk. Meanwhile, the Target Company envisages that the Chinese Restaurants will be responsible for sourcing of the ingredients to be used in the Meal Vending Machines. The Board is of the view that the integration of the Chinese Restaurants and the Vending Machine Business will encourage cost synergies that could benefit the Target Company.

The Board is of the view that the Vending Machine Business presents an opportunity for the Company to establish a new market in Hong Kong and will revitalise the profitability of the Company in the near future, and that the Possible Acquisition offers the quickest way for the Company to tap into the market. The Company intends to finance the Possible Acquisition through debt and/or equity financing, i.e. via issue of convertible bonds, rights issue, internal resources or a combination of them by reference to the then prevailing circumstances.

Due diligence review

Immediately upon signing of the MOU, the Purchaser and/or its advisers and/or agents shall have the right to conduct such review of the assets, liabilities, operations and affairs of the Target Company as it may consider appropriate and the Target Company shall provide and procure its shareholders to provide, such assistance as the Company and/or its advisers and/or agents may reasonably require.

Exclusivity

During the period immediately upon signing of the MOU up to and including 14 April 2020 (or such other date as agreed between the Company and the Target Company in writing), the Target Company shall not directly or indirectly negotiate or agree with any other party with respect to the disposal of its shares.

GENERAL

If the Possible Acquisition materialises, it might constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. Further announcement(s) will be made by the Company regarding the Possible Acquisition as and when appropriate in compliance with the GEM Listing Rules.

Given that the Possible Acquisition may or may not materialise, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 13 January 2020

As at the date of this announcement, Mr. Chow Cheuk Hang and Ms. Li Yuet Mei Dilys 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 for at least seven days from the date of its publication and the Company’s website at www.cfbgroup.com.hk.