



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

First Quarterly Report

2020





CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, 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 report.

This report, for which the directors (the "Directors") of Chinese Food and Beverage Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

This report 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.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020. The unaudited first quarterly results for the three months ended 31 March 2019 were used as corresponding comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

| | Notes | Three months ended | |
|--|-------|---------------------------------|---|
| | | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) (Restated) HK\$'000 |
| Revenue | 3 | 5,218 | 6,561 |
| Cost of Sales | | (3,192) | (5,505) |
| Gross profit | | 2,026 | 1,056 |
| Other operating income | | 218 | 277 |
| Impairment losses reversed, net of impairment losses recognised | 4 | – | 180 |
| Selling and distribution expenses | | (1,015) | (1,856) |
| Administrative and other operating expenses | | (2,430) | (4,411) |
| Finance costs | 5 | (750) | (187) |
| Loss before tax | | (1,951) | (4,941) |
| Income tax expenses | 6 | – | – |
| Loss and total comprehensive expense for the period | | (1,951) | (4,941) |

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



| | Notes | Three months ended 31 March | |
|---|-------|---------------------------------|---|
| | | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) (Restated) HK\$'000 |
| (Loss) profit and total comprehensive (expense) income for the period attributable to | | | |
| — Owners of the Company | | (2,115) | (4,906) |
| — Non-controlling interests | | 164 | (35) |
| | | (1,951) | (4,941) |
| | | HK cents | HK cents |
| Loss per share | 10 | | |
| — basic and diluted | | (2.67) | (0.15) |

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|------------------------------|------------------------------------|---|-----------------------------------|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Fair value through other comprehensive income reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
| At 1 January 2019 (audited) | 63,403 | 497,676 | - | (45,359) | (493,242) | 22,478 | (3,372) | 19,106 |
| Loss and total comprehensive expense for the period | - | - | - | - | (4,906) | (4,906) | (35) | (4,941) |
| At 31 March 2019 (unaudited) | 63,403 | 497,676 | - | (45,359) | (498,148) | 17,572 | (3,407) | 14,165 |
| At 1 January 2020 (audited) | 793 | - | 560,286 | (59,598) | (504,325) | (2,844) | (4,349) | (7,193) |
| (Loss) profit and total comprehensive (expense) income for the period | - | - | - | - | (2,115) | (2,115) | 164 | (1,951) |
| At 31 March 2020 (unaudited) | 793 | - | 560,286 | (59,598) | (506,440) | (4,959) | (4,185) | (9,144) |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and continues as an exempted company with limited liability in Bermuda upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 25 June 2019. Its shares are listed on GEM of the Exchange. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is Room 906, 9/F., Wings Building, No.110–116 Queen’s Road Central, Central, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its subsidiaries are catering business and securities trading.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), including applicable Hong Kong Accounting Standards (“HKASs”) and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the Group’s unaudited quarterly financial statements include applicable disclosures required by the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the value of the consideration given in exchange for goods.

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the three months ended 31 March 2020 are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

3. REVENUE

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

| | Three months ended 31 March | |
|---------------------------------------|-----------------------------|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers | | |
| — Catering business | 5,218 | 6,561 |

Timing of revenue recognition

| | Three months ended 31 March | |
|--------------------|-----------------------------|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| At a point in time | 5,218 | 6,561 |

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

4. IMPAIRMENT LOSSES REVERSED, NET OF IMPAIRMENT LOSSES REVERSED

| | Three months ended 31 March | |
|---|-----------------------------|-------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Impairment loss reversed on other receivables | — | 180 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

5. FINANCE COSTS

| | Three months ended 31 March | |
|---|---------------------------------|---|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) (Restated) HK\$'000 |
| Interests on: | | |
| — other borrowings | 509 | 127 |
| — lease liabilities/obligations under finance leases | 188 | 60 |
| — overdue payments | 53 | — |
| | 750 | 187 |

6. INCOME TAX EXPENSE

The Company is an exempted company incorporated in the Cayman Islands and re-domiciled and continued in Bermuda, as such it is not liable for taxations in the Cayman Islands on its non-Cayman Islands income and in Bermuda on its non-Bermuda income.

No provision for Hong Kong Profits Tax or other jurisdictions has been made as the Group did not have any assessable profits for the three months ended 31 March 2020 and 31 March 2019.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

8. LOSS PER SHARE

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

| | Three months ended 31 March | |
|--|---------------------------------|---------------------------------|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
| Loss for the period attributable to owners of the Company | (2,115) | (4,906) |

| | Number of shares | |
|---|------------------|--------------|
| | 2020 '000 | 2019 '000 |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 79,254 | 3,170,160 |



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2020 (the "Reporting Period"), the Group recorded a revenue of approximately HK\$5,218,000 (three months ended 31 March 2019: approximately HK\$6,561,000), representing a decrease of approximately 20% as compared with the last corresponding period.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$1,951,000 for the Reporting Period, as compared with a loss of approximately HK\$4,941,000 of the last corresponding period.

During the Reporting Period, administrative and other operating expenses decreased from approximately HK\$4,411,000 to approximately HK\$2,430,000 due to cost saving measures among the Group; selling and distribution expenses decreased from approximately HK\$1,856,000 to approximately HK\$1,015,000 due to discontinuation of the operation in Fooklore.


Catering Business

The segmental revenue of the catering business for the Reporting Period was approximately HK\$5,218,000 (three months ended 31 March 2019: approximately HK\$6,561,000), representing a decrease of approximately 20% as compared with the previous corresponding period. During the Reporting Period, the main catering business is Real Stone Grills (堅石燒).

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



MANAGEMENT DISCUSSION AND ANALYSIS



During the reporting period, the daily revenue of Real Stone Grills per seat for January, February and March were approximately HK\$700, HK\$500 and HK\$400 respectively. Decrease in daily revenue per seat during the reporting period mainly due to the COVID-19 (“COVID-19”) outbreak and the social distance policies implemented by the Government.

In response to the public health risks associated with COVID-19 outbreak in first quarter of 2020, our restaurant had been established the sterilization measures such as providing the hand sanitizer, temperature measure at the entry, wearing face mask when entry of restaurant and, etc.

On 29 March 2020, the Government implemented the prohibition on group gathering and the distance of each table must be 1.5 meters in catering. The performance of Real Stone Grills could be affected and the average consumption may be less in further. We may closely monitor the development of the circumstances and work diligently to sustain in the hard time.

During the Reporting Period, Real Stone Grills recorded revenue from catering business of approximately HK\$5,218,000 (three months ended 31 March 2019: Nil).

Securities Trading

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

OUTLOOK AND PROSPECT

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the Reporting Period.

As at 31 March 2020, the Company's issued share capital was HK\$792,540 (as at 31 December 2019: HK\$792,540) and the number of its issued ordinary shares was 79,254,000 shares of HK\$0.01 each (as at 31 December 2019: 79,254,000 shares of HK\$0.01 each).

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group has 19% (as at 31 December 2019: 19%) equity interest in Flame Soar Limited ("Flame Soar"), which through a number of its subsidiaries is engaged in the operation of high-end Chinese restaurant business, serving Cantonese cuisine and provision of banquet catering services.

PROFIT GUARANTEE

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

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCE TO ENTITY

Advance to entity in the amount of HK\$44,000,000

Details of advance to entity in the amount of HK\$44,000,000 paid to Key Ally Limited were set out under the section of “Advance to Entity” on pages 13 to 14 of the Company’s quarterly report for the three months ended 31 March 2014. The Directors considered that the likelihood of recovery of the outstanding principal and accrued interest amount was very remote and the impairment loss of other receivables of approximately HK\$28,225,000 was recognised during the eight months ended 31 December 2013. During the Reporting Period, the Group did not received any repayment from Key Ally Limited. The Group will proceed to recover the outstanding amount in reliance on legal advice.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has principally financed its operations by internal resources and other borrowings from financial institutions. The Reporting Period ended with the net current liabilities of approximately HK\$44,386,000 (as at 31 December 2019: approximately HK\$42,643,000) which includes the bank balances and cash of approximately HK\$1,532,000 (as at 31 December 2019: approximately HK\$1,966,000).

As at 31 March 2020, the Group had other borrowings amounted to approximately HK\$16,839,000 (as at 31 December 2019: approximately HK\$14,505,000). The gearing ratio, computed as total liabilities to total assets, is 1.20 the end of the Reporting Period (as at 31 December 2019: 1.16).

CHARGE ON THE GROUP’S ASSETS

As at 31 March 2020, the Company has pledged 70% (as at 31 December 2019: 70%) equity interests of Able Wind Limited to secure other borrowings of HK\$2,910,000 (as at 31 December 2019: HK\$2,910,000).

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitment (as at 31 December 2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liability (as at 31 December 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries or associates of the Company during the Reporting Period.

OTHER INFORMATION



Litigations

Reference is made to the claim by Megamillion Asia Limited (“Megamillion”), an indirect wholly-owned subsidiary of the Company, against Cheong Tat International Development Limited (“Cheong Tat”) the particulars of which have been disclosed at pages 9 to 10 of the annual report of the Company for the financial year ended 30 April 2013. Megamillion had obtained judgment against Cheong Tat on (i) principal amount of the loan and interest accrued thereon (the “Loan Amount”), and (ii) the amount for redemption of the convertible bond (the “Redemption Amount”).

Cheong Tat and Megamillion entered into a deed of settlement dated 31 December 2013 (the “Deed of Settlement”) under and pursuant to which Cheong Tat transferred certain portfolio of shares in a Hong Kong listed company for full and final settlement of the Loan Amount.

Subject to legal advice and pending ascertainment that Cheong Tat has assets available for execution, Megamillion will proceed to recover the Redemption Amount.

On 20 April 2020, a statutory demand (the “Statutory Demand”) was served on the Company by the creditor (the “Creditor”) to demand the Company for payment in an aggregate amount of HK\$366,598.98 (the “Debt”). The Company is actively negotiating with the Creditor for settlement arrangement and considering to take legal advice in this regard. Further announcement(s) relating to the Statutory Demand will be made by the Company as and when appropriate or as required under the GEM Listing Rules.

Save as disclosed above, as at the date of this report, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group and that the Company will disclose any Megamillion’s recovery action and other litigation matters of material importance wherever appropriate or necessary.



OTHER INFORMATION



Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares and underlying shares of HK\$0.01 each in the capital of the Company

| Name of Director | Nature of interests/ holding capacity | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | Approximate percentage of interests in the Company's issued share capital |
|---------------------------|--|---------------------|-----------------------------------|---|---|
| Mr. Yeung Wai Hung, Peter | Personal | 3,437 | - | 3,437 | 0.004% |

Save as disclosed above, as at 31 March 2020, none of the Directors and the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO), as recorded in the register required to be kept under Section 352 of the SFO; or as notified to the Company and the Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION



Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as disclosed under section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, as at 31 March 2020, neither the Company nor any of its subsidiaries was a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, or there have, at any time during the three months ended 31 March 2020, subsisted such arrangement(s) as aforesaid and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Substantial Shareholders and Other Persons with Interests and Short Positions in the Shares and Underlying Shares

As at 31 March 2020, so far as is known to the Directors, other than Directors and the chief executive of the Company, no other party held any interests or short positions (directly or indirectly) in the Company's Shares or underlying Shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Competing Interests

The Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

Purchase, Sale or Redemption of the Listed Securities of the Company

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

Audit Committee

The Company established an audit committee (the "Audit Committee") on 10 June 2003 with latest revised written terms of reference adopted on 31 December 2018 in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee had three members comprising all the three independent non-executive Directors; namely, Mr. Lau Man Tak, Mr. Yeung Wai Hung, Peter, and Mr. Ma Stephen Tsz On. The chairman of the Audit Committee is Mr. Lau Man Tak, who has appropriate professional qualifications and experience in accounting matters.



OTHER INFORMATION



The unaudited first quarterly results for the three months ended 31 March 2020 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

APPRECIATION

The Board would like to thank all business partners and shareholders of the Company for their continued support and confidence in our management and the Company. It is our vision to continue our Group's corporate strategy to explore other industries with good business potential and growth prospects to gain attractive returns for our investors.

By Order of the Board
Chinese Food and Beverage Group Limited
Chow Cheuk Hang
Executive Director

Hong Kong, 15 May 2020

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