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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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.

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

This announcement will remain on the “Latest 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 and six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK'000	2019 (Unaudited) HK'000	2020 (Unaudited) HK'000	2019 (Unaudited) HK'000
Revenue	3	4,492	4,553	9,710	11,114
Cost of Sales		(2,706)	(4,302)	(5,898)	(9,807)
Gross profit		1,786	251	3,812	1,307
Other operating income		615	249	833	526
Other gains and losses	4	–	(1,979)	–	(1,979)
Reversal of impairment losses	5	–	–	–	180
Selling and distribution expenses		(1,026)	(2,154)	(2,041)	(4,010)
Administrative and other operating expenses		(1,740)	(3,533)	(4,170)	(8,002)
Finance costs	6	(817)	(411)	(1,567)	(598)
Loss before tax		(1,182)	(7,577)	(3,133)	(12,576)
Income tax expense	7	–	–	–	–
Loss for the period	8	(1,182)	(7,577)	(3,133)	(12,576)
(Loss) profit for the period attributable to:					
— Owners of the Company		(1,313)	(7,227)	(3,428)	(12,191)
— Non-controlling interests		131	(350)	295	(385)
		(1,182)	(7,577)	(3,133)	(12,576)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	10				
— basic and diluted		(1.66)	(0.23)	(4.33)	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) HK'000	31 December 2019 (Audited) HK'000
	<i>Notes</i>		
Non-current assets			
Plant and equipment		3,514	3,825
Right-of-use assets		4,271	5,024
Equity instruments at fair value through other comprehensive income		25,562	25,562
Contingent consideration receivable — non-current portion		5,151	5,151
		38,498	39,562
Current assets			
Inventories		68	189
Trade and other receivables	11	1,733	1,911
Contingent consideration receivable — current portion		2,488	2,488
Bank balances and cash		2,832	1,966
		7,121	6,554
Current liabilities			
Trade and other payables	12	32,485	33,689
Other borrowings		18,839	14,505
Lease liabilities — current portion		880	1,003
		52,204	49,197
Net current liabilities		(45,083)	(42,643)
Total assets less current liabilities		(6,585)	(3,081)
Non-current liability			
Lease liabilities — non-current portion		3,741	4,112
Net liabilities		(10,326)	(7,193)
Equity			
Share capital	13	793	793
Reserves		(7,065)	(3,637)
Equity attributable to owners of the Company		(6,272)	(2,844)
Non-controlling interests		(4,054)	(4,349)
Total deficit		(10,326)	(7,193)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fair value through other comprehensive income reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019 (audited)	63,403	497,676	-	(45,359)	(493,242)	22,478	(3,372)	19,106
Capital contributions from non-controlling interests of a subsidiary	-	-	-	-	-	-	10	10
Loss for the period	-	-	-	-	(12,191)	(12,191)	(385)	(12,576)
At 30 June 2019 (unaudited)	<u>63,403</u>	<u>497,676</u>	<u>-</u>	<u>(45,359)</u>	<u>(505,433)</u>	<u>10,287</u>	<u>(3,747)</u>	<u>6,540</u>
At 1 January 2020 (audited)	793	-	560,286	(59,598)	(504,325)	(2,844)	(4,349)	(7,193)
(Loss) profit for the period	-	-	-	-	(3,428)	(3,428)	295	(3,133)
At 30 June 2020 (unaudited)	<u>793</u>	<u>-</u>	<u>560,286</u>	<u>(59,598)</u>	<u>(507,753)</u>	<u>(6,272)</u>	<u>(4,054)</u>	<u>(10,326)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash from (used in) operating activities	396	(8,437)
Net cash used in investing activities	(1,229)	(3,263)
Net cash from financing activities	<u>1,699</u>	<u>11,908</u>
Net increase in cash and cash equivalents	866	208
Cash and cash equivalents at beginning of the period	<u>1,966</u>	<u>1,294</u>
Cash and cash equivalents at end of the period	<u><u>2,832</u></u>	<u><u>1,502</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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. 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 condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The 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”) and the applicable disclosures requirements of the GEM Listing Rules.

The 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 condensed consolidated financial statements have been prepared in consistent with those principal accounting policies followed in the Annual Report 2019 except the adoption of the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the turnover from catering business during the period.

An analysis of the Group's revenue, results and total assets and liabilities by reportable and operating segment is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK'000	2019 (Unaudited) HK'000	2020 (Unaudited) HK'000	2019 (Unaudited) HK'000
Revenue from contracts with customers				
— Catering business	<u>4,492</u>	<u>4,553</u>	<u>9,710</u>	<u>11,114</u>
Timing of revenue recognition				
At a point in time	<u>4,492</u>	<u>4,553</u>	<u>9,710</u>	<u>11,114</u>
Segment result				
— Catering business	171	(3,551)	530	(6,325)
— Securities trading	<u>(37)</u>	<u>(41)</u>	<u>(76)</u>	<u>(85)</u>
	134	(3,592)	454	(6,410)
Reversal of impairment losses	—	—	—	180
Written-off of plant and equipment	—	(1,979)	—	(1,979)
Finance costs	(817)	(411)	(1,567)	(598)
Unallocated corporate income	615	249	833	526
Unallocated corporate expenses	<u>(1,114)</u>	<u>(1,844)</u>	<u>(2,853)</u>	<u>(4,295)</u>
Loss before tax	<u>(1,182)</u>	<u>(7,577)</u>	<u>(3,133)</u>	<u>(12,576)</u>

	30 June 2020 (Unaudited) HK'000	31 December 2019 (Audited) HK'000
Segment assets		
Catering business	7,838	9,568
Securities trading	48	241
	<u>7,886</u>	<u>9,809</u>
Unallocated corporate assets	<u>37,733</u>	<u>36,307</u>
	<u><u>45,619</u></u>	<u><u>46,116</u></u>
Segment liabilities		
Catering business	5,928	12,231
Securities trading	14	90
	<u>5,942</u>	<u>12,321</u>
Unallocated corporate liabilities	<u>50,003</u>	<u>40,988</u>
	<u><u>55,945</u></u>	<u><u>53,309</u></u>

For the six months ended 30 June 2020, all of the Group's revenue and assets are derived from external customers and operations based in Hong Kong (six months ended 30 June 2019: all in Hong Kong) and accordingly, no further analysis of the Group's geographical information is disclosed.

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. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000
Written-off of plant and equipment	<u>–</u>	<u>(1,979)</u>	<u>–</u>	<u>(1,979)</u>

5. REVERSAL OF IMPAIRMENT LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000
Reversal of impairment losses on:				
— Other receivables	—	—	—	180

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000
Interests on:				
— other borrowings	638	333	1,147	460
— lease liabilities	179	78	367	138
— overdue payments	—	—	53	—
	<u>817</u>	<u>411</u>	<u>1,567</u>	<u>598</u>

7. 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 tax of other jurisdictions has been made as the Group did not have any assessable profit for the six months ended 30 June 2020 and 30 June 2019.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000
Staff cost (including Directors' emoluments)				
— salaries, bonuses and allowances	1,610	2,823	3,407	6,274
— retirement benefit scheme contributions	105	260	217	549
	<u>1,715</u>	<u>3,083</u>	<u>3,624</u>	<u>6,823</u>
Cost of inventories recognised as expenses	1,632	1,706	3,596	4,005
Depreciation of plant and equipment	524	1,042	1,060	1,524
Depreciation of right-of-use assets	263	1,546	739	3,511

9. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(1,313)</u>	<u>(7,227)</u>	<u>(3,428)</u>	<u>(12,191)</u>
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>79,254</u>	<u>3,170,160</u>	<u>79,254</u>	<u>3,170,160</u>

The denominators used are the same as those detailed above for basic and diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

Sales in catering business is mainly conducted in cash or by credit cards. Certain customers are granted credit period from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and other receivable balances. Trade receivables are non-interest bearing.

An aged analysis of trade receivables, net of impairment loss recognised, presented based on invoice date at the end of the reporting period is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	35
91 – 120 days	–	–
More than 120 days	<u>66</u>	<u>81</u>
	66	116
Other receivables, prepayments and deposit paid, net	<u>1,667</u>	<u>1,795</u>
	<u>1,733</u>	<u>1,911</u>

12. TRADE AND OTHER PAYABLES

An aged analysis of trade payables, presented based on invoice date at the end of the reporting period is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 – 30 days	950	632
31 – 60 days	322	359
61 – 90 days	–	–
91 – 120 days	–	–
More than 120 days	<u>4,714</u>	<u>4,714</u>
	5,986	5,705
Amount due to a director	608	608
Amount due to joint ventures	7,353	7,353
Amounts due a non-controlling shareholder	1,930	2,998
Other payables and accruals	<u>16,608</u>	<u>17,025</u>
	<u>32,485</u>	<u>33,689</u>

13. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares			
At 1 January 2020 and 30 June 2020	<u>0.01</u>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:			
Ordinary shares			
At 1 January 2020 and 30 June 2020	<u>0.01</u>	<u>79,254</u>	<u>793</u>

14. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the reporting period:

Name of related Company	Nature of transaction	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
REF Holdings Limited	Financial printing	<u>240</u>	<u>–</u>

- (a) Mr. Lau Man Tak is a controlling shareholder of REF Holdings Limited
- (b) The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020 (the “Reporting Period”), the Group recorded revenue of approximately HK\$9,710,000 (six months ended 30 June 2019: approximately HK\$11,114,000), representing a decrease of approximately 13% as compared with the last corresponding period.

Results for the Reporting Period

The Group recorded a loss of approximately HK\$3,133,000 for the Reporting Period, as compared with a loss of approximately HK\$12,576,000 of the last corresponding period.

During the Reporting Period, administrative and other operating expenses decreased from approximately HK\$8,002,000 to approximately HK\$4,170,000 due to cost saving measures among the Group; selling and distribution expenses decreased from approximately HK\$4,010,000 to approximately HK\$2,041,000 due to discontinuation of the operation in Fooklore.

Catering Business

The segmental revenue of the catering business for the Reporting Period was approximately HK\$9,710,000 (six months ended 30 June 2019: approximately HK\$11,114,000), representing a decrease of approximately 13% as compared with the corresponding period. During the Reporting Period, the Group solely operate catering business namely, 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.

During the Reporting Period, the daily revenue of Real Stone Grills per seat ranged from \$400 to \$700. Increase in daily revenue per seat during the Reporting Period is mainly due to less restrictions in social distance policy adopted by the Government of the Hong Kong Special Administrative Region (“HKSAR”).

Since COVID-19 outbreak had been alarmed, the Group had established certain sterilization measures such as providing the hand sanitizer, body temperature measure at the entrance, wearing face mask when entrance of restaurant and, etc.

In May 2020, the Government of HKSAR changed the prohibition on group gathering from 4 persons to 8 persons. In June 2020, the prohibition on group gathering changed from 8 persons to 16 persons. All those changing measures directly affected the performance of Real Stone Grills to increase the average consumption during the Reporting Period. The Group will closely monitor the circumstances of COVID-19 in Hong Kong and work diligently to sustain in the challenging environment.

During the Reporting Period, Real Stone Grills recorded revenue from catering business of approximately HK\$9,710,000 (six months ended 30 June 2019: HK\$724,000).

Securities Trading

There was no acquisition or disposal of any held-for-trading investments during the Reporting Period (six months ended 30 June 2019: Nil).

OUTLOOK AND PROSPECT

The catering business in Hong Kong has been under an exceptionally adverse business environment since the pandemic of the COVID-19 in early 2020. During the Report Period, the degree of impact of the COVID-19 steadily slow down and recorded decrease in new confirmed cases in Hong Kong. The Government of HKSAR announces its further relax in the social distance measures regarding the catering businesses, while the limitation on group gathering in public area could be maintained.

In July 2020, another new wave of COVID-19 infections has broken out in Hong Kong, the Government of HKSAR has tightened its existing social distance measures in view of continue rise in the number of local COVID-19 confirmed cases. The catering business in Hong Kong is still challenging in second half of the year 2020 with adverse business environment in view of the impact of COVID-19, the Group will keep seeking the feasibility of strategies for Real Stone Grill to generate more revenue in this critical moment.

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

CAPITAL STRUCTURE

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

As at 30 June 2020, the Company's issued share capital was HK\$792,540 (31 December 2019: HK\$792,540) and the number of its issued ordinary shares was 79,254,000 shares of HK\$0.01 each (31 December 2019: 79,254,000 shares of HK\$0.01 each).

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group held unlisted equity investment of 19% equity interests in Flame Soar Limited, a company incorporated in the British Virgin Island with limited liability. Details of such investment are set out below:

Name of investee company:	Flame Soar Limited ("Flame Soar")
Principal businesses of the underlying company:	operating high-end Chinese restaurants serving high-quality Cantonese cuisine
Number of shares held:	19
Percentage of share capital owned by the Group:	19%
Investment cost:	HK\$33,209,000
Carrying amounts as at 1 January 2020 and 30 June 2020:	HK\$25,562,000
Change in fair value for the six months ended 30 June 2020:	Nil
Dividend received for the six months ended 30 June 2020:	Nil
Total asset ratio, express as the carrying amount of the investment to total assets of the Group at 30 June 2020:	56%

Pursuant to the unaudited consolidated management accounts of Flame Soar, it recorded revenue of approximately HK\$122 million and total comprehensive loss of approximately HK\$12 million. Flame Soar is facing challenging in its food and beverage business due to certain distance restrictions imposed by the Hong Kong Government as a result of the outbreak of COVID-19 in early 2020.

The Group holds the investment for capital appreciation and believes that the future prospect of Flame Soar is positive in view of its long established brand. There was no acquisition or disposal of the equity interest in Flame Soar during the period.

Save as disclosed above, there were no other significant investments held by the Group as at 30 June 2020.

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 announcement, the Compensation, if any, for the Financial Year 2019 was uncertain.

ADVANCE TO AN ENTITY

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

Details of advance to an entity in the amount of HK\$44,000,000 paid to Key Ally Limited were set out under the section of “Advance to An 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 from time to time.

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\$45,083,000 (31 December 2019: approximately HK\$42,643,000) which includes the bank balances and cash of approximately HK\$2,832,000 (31 December 2019: approximately HK\$1,966,000).

As at 30 June 2020, the Group had other borrowings amounted to approximately HK\$18,839,000 (31 December 2019: approximately HK\$14,505,000). The gearing ratio, computed as total liabilities to total assets, is 1.23 at the end of the Reporting Period (31 December 2019: 1.16).

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2020, the Company has pledged 70% (31 December 2019: 70%) equity interests of Able Wind Limited to secure other borrowings of HK\$2,910,000 (31 December 2019: HK\$2,910,000).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any capital commitment (31 December 2019: Nil).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liability (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.

EVENTS AFTER THE REPORTING PERIOD

In July 2020, the Government of the HKSAR has implemented the social distance measures with effect from 15 July 2020 to cease all dine-in services after 6:00 P.M.. In late July 2020, the Government of HKSAR further amended its social distance measures to prohibit more than two persons be seated together at one table within any catering premises. The Group has temporarily suspended its restaurant operation in Real Stone Grills on 22 July 2020 in view of the negative operating cash flows and substantial increase of confirmed cases of COVID-19 during the period of the third wave of COVID-19 in Hong Kong.

Taking into account the Government of HKSAR has announced a further extension of 7 days of the social distance measures on 10 August 2020 and the COVID-19 pandemic was not under controlled up to the date of this announcement, the Group has decided to continue its suspension of the restaurant operation in Real Stone Grills until 18 August 2020.

It was expected that the temporary closure of the restaurant operation in Real Stone Grill will have adverse impact on the financial performance of the Group in the second half of 2020 and the Group will pay close attention to the development of the COVID-19 and perform further assessment of its impact and take relevant measures.

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”). Details of the above can be found in the Company’s announcement dated 20 April 2020. The Company has settled the Debt in June and July 2020. On 7 August 2020, the Company has received a letter from the legal adviser of the Creditor and confirmed that the winding-up petition has been withdrawn.

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

Trading Suspension

Trading in the shares of the Company on the Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 3 June 2020.

For details, please refer to the announcements of the Company dated 3 June 2020 and 31 July 2020.

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 30 June 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		Total number of Shares and underlying Shares	Approximate percentage of interests in the Company's issued share capital
		Shares	underlying Shares		
Mr. Yeung Wai Hung, Peter	Personal	3,437	–	3,437	0.004%

Save as disclosed above, as at 30 June 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.

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 30 June 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 six months ended 30 June 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 30 June 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.

Share Option Scheme

The share option scheme of the Company was adopted on 31 October 2013. During the six months ended 30 June 2020, there was no share option granted, exercised, cancelled or lapsed under the share option schemes and no share option remained outstanding at the beginning and at the end of the Reporting Period under the share option schemes of the Company.

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.

Update On Directors' Information

Save as disclosed below, there is no change of the Directors' information pursuant to Rule 17.50A(1) of the GEM Listing Rules since the disclosure made in the Company's annual report 2019 or the announcement in relation to the appointment and/or resignation of the Directors.

— Mr. Eric Todd resigned as an executive director of Shi Shi Services Limited (stock code: 8181) with effect from 1 October 2020.

Corporate Governance

The Company has applied the principles and save as disclosed herein, has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the deviations set out below:

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

During the Reporting Period, the office of the chairman of the Board remains vacant. The roles of the chairman and chief executive were performed by the executive Directors. The Board is of the view that there existed a balance of power and authority during the Reporting Period.

The Board will continue to review the current structure of the Board from time-to-time. If candidates with suitable knowledge, skills and experience are identified, the Company will make appointments to fill the post(s) of chairman and/or the chief executive as appropriate.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

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 announcement, 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.

The unaudited interim results for the six months ended 30 June 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, 11 August 2020

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