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CBK Holdings Limited

國茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8428)

CONTINUING CONNECTED TRANSACTION MANAGEMENT SERVICE AGREEMENT

MANAGEMENT SERVICE AGREEMENT

On 29 April 2020 (after trading hours), the Company entered into the Management Service Agreement with SH ShunFeng for the provision of catering supervision, guidance and management services to the Target Restaurants for a term commencing from 1 May 2020 and expiring on 31 March 2023 (both dates inclusive).

LISTING RULES IMPLICATIONS

Mr. Wu through the Agreement to act in concert indirectly controls the voting power of 70% of SH ShunFeng, is the father of Mr. Wu Jing Xie, who is the non-executive Director, and an uncle of Mr. Zhang, who is an executive Director. Therefore, Mr. Wu and SH ShunFeng are associates of Mr. Wu Jing Xie and Mr. Zhang and hence are connected persons of the Company. The transactions contemplated under the Management Service Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

As the proposed annual caps in respect of the Management Service Agreement for each of the three years ending 31 March 2023 is more than HK\$10,000,000, and at least one of the applicable ratios calculated thereof is more than 5%, the transactions contemplated under the Management Service Agreement constitute continuing connected transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole in respect of the Management Service Agreement.

GENERAL

The Company will convene the EGM to seek approval from the Independent Shareholders for the above matters. Mr. Zhang and its associates will abstain from voting on the resolution approving the Management Service Agreement and the transaction contemplated thereunder at the EGM. A circular containing, among other things, (i) details of the Management Service Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is expected to be dispatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company on or before 29 May 2020.

Reference is made to the announcements of the Company dated 28 October 2019 and 26 February 2020 in relation to the MOU and the potential management service arrangement between the Company and SH ShunFeng, respectively.

On 29 April 2020 (after trading hours), the Company entered into the Management Service Agreement with SH ShunFeng for the provision of catering supervision, guidance and management service to the Target Restaurants for a term commencing from 1 May 2020 and expiring on 31 March 2023 (both dates inclusive) and details of which are set out in this announcement.

THE MANAGEMENT SERVICE AGREEMENT

Date

29 April 2020 (after trading hours)

Parties

- (1) SH ShunFeng (as the principal); and
- (2) the Company (as the manager).

Term

The Management Service Agreement will be effective from 1 May 2020 and up to 31 March 2023 (both dates inclusive).

Nature of the transactions

Pursuant to the terms of the Management Service Agreement, SH ShunFeng as the principal will appoint the Company as the manager to provide catering supervision, guidance and management services to the Target Restaurants.

Pricing policy and payment terms

The management service fees under the Management Service Agreement were made reference to the prevailing market price and charging methodology adopted by Independent Third Parties for the management service in the market. After the arm's length negotiations and agreed between the parties, the management services fees payable by SH ShunFeng to the Group shall be determined on the basis of 6% on the turnover of the Target Restaurants.

The aforementioned management service fee will be settled quarterly by cash transfer within 15 business days after the end of each calendar quarter.

PROPOSED ANNUAL CAPS

The table below sets out the proposed annual caps under the Management Service Agreement:

	For the year ending 31 March		
	2021	2022	2023
	'000	'000	'000
Annual caps			
RMB	42,000	45,000	47,000
Equivalent to HKD (at an exchange rate of 1.12)	47,040	50,400	52,640

The above annual caps are determined with reference to the annual estimated management service fees payable by SH ShunFeng to the Company pursuant to the Management Service Agreement.

REASON FOR AND THE BENEFITS OF ENTERING THE MANAGEMENT SERVICE AGREEMENT

The Group is principally engaged in the provision of food catering services through a chain of hotpot specialty restaurants in Hong Kong. The social unrest in Hong Kong since June 2019 has weakened consumer sentiment and affected the economy and food and beverage market in Hong Kong. In addition, the outbreak of novel coronavirus disease in Hong Kong since January 2020 has further weakened the economy and the business of the Group was inevitably affected.

The Board considers that the entering into of the Management Service Agreement would provide an opportunity for the Group to expand the operations and develop a catering business in the PRC to diversify the Group's existing operations and to stimulate the business growth and return of the Company. It would also provide the Group a chance to lay a solid foundation for entering the catering business sector in the PRC through such strategic cooperation with SH ShunFeng. Taking into account the whole circumstances, the Directors, (excluding the independent non-executive Directors whose views will be rendered after considering the recommendation from the Independent Financial Adviser), consider that the terms of Management Service Agreement and the transactions contemplated thereunder are

on normal commercial terms after arm's length negotiations and in the ordinary course of business of the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Zhang, an executive Director, being a connected person, has material interests in the transactions contemplated under the Management Service Agreement and he had abstained from voting on the Board resolutions approving the Management Service Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

Information on the Group

The Group is principally engaged in the provision of food catering services through a chain of hotpot specialty restaurants in Hong Kong.

Information on SH ShunFeng

SH ShunFeng is a company incorporated in the PRC and principally engaged in the provision of Chinese cuisine catering service through the chain of stores and hotels directly operated by SH ShunFeng in the PRC.

The issued shares of SH ShunFeng were listed on NEEQ (under the stock code: 870798) in March 2017. According to the financial information disclosed in the disclosure information platform designated by the NEEQ, SH ShunFeng recorded a turnover of approximately RMB1.2 billion for the year ended 31 December 2018 and the net profit for the year amounted to approximately RMB80.2 million.

As at the date of this announcement, SH ShunFeng operates over 30 chain stores and hotels in Shanghai, the PRC. The issued shares of SH ShunFeng were voluntarily delisted from the NEEQ in May 2019 since the nature of the NEEQ and its low trading volume made it difficult for SH ShunFeng to identify and establish its fair value and to reflect the competitive strengths which differentiate SH ShunFeng from its competitors.

LISTING RULES IMPLICATION

Mr. Wu through the Agreement to act in concert indirectly controls the voting power of 70% of SH ShunFeng, is the father of Mr. Wu Jing Xie, who is the non-executive Director, and is an uncle of Mr. Zhang, who is an executive Director. Therefore, Mr. Wu and SH ShunFeng are associates of Mr. Wu Jing Xie and Mr. Zhang and hence are connected persons of the Company. The transactions contemplated under the Management Service Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

As the proposed annual caps in respect of the Management Service Agreement for each of the three years ending 31 March 2023 is more than HK\$10,000,000, and at least one of the applicable ratios calculated thereof is more than 5%, the transactions contemplated under the Management Service Agreement constitute continuing connected transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms, in respect of the Management Service Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

GENERAL

The Company will convene the EGM to seek approval from the Independent Shareholders for the above matters. Mr. Zhang and its associates will abstain from voting on the resolution approving the Management Service Agreement and the transaction contemplated thereunder at the EGM. A circular containing, among other things, (i) details of the Management Service Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is expected to be dispatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company on or before 29 May 2020.

DEFINITIONS

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

“Agreement to act in concert”	an agreement signed by Mr. Wu, Ms. Yu, Mr. Wang, Ms. Zhang Pin Fang* (張品芳女士), Mr. Chen Na Ji* (陳迺積先生), Mr. Yang Ya Ping* (楊亞平先生), Mr. Wu Guo Fang* (吳國方先生), Mr. Gu Jian Ming* (顧建明先生), Ms. Wu Xue Qin* (吳雪琴女士), Ms. Wang Ben Ling* (王本玲女士), Mr. Hong Wei* (洪偉先生), Mr. Ge Jin* (葛瑾先生) and Mr. Yang Feng* (楊奉先生) which delegated the ultimate decision making to Mr. Wu, who can exercise a voting power representing 70% of the issued shares of SH ShunFeng
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business which is not a Saturday, Sunday or public holiday in Hong Kong
“Board”	the Board of Directors of the Company

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Management Service Agreement and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM, as amended, modified, and supplemented from time to time
“Group”, “we”, “us”, “our”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Chan Hoi Kuen Matthew, Mr. Chung Wing Yin, Mr. Law Yui Lun and Mr. Lu Jun Bo, formed to advise the Independent Shareholders as to the Management Service Agreement
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Service Agreement and the proposed annual caps
“Independent Shareholders”	shareholders of the Company other than Mr. Zhang and its associates
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company, its subsidiaries or any of their respective associates
“Management Service Agreement”	the management service agreement dated 29 April 2020 entered into between the Company and SH ShunFeng in relation to the provision of catering supervision, guidance and management services by the Group to the Target Restaurants

“MOU”	the Strategic Cooperation Memorandum of Understanding dated 27 October 2019 entered into between the Company and SH ShunFeng
“Mr. Wang”	Mr. Wang Xin Min* (王新民先生), being a shareholder and the general manager of SH ShunFeng, an uncle of Mr. Wu Jing Xie and Mr. Zhang, a brother-in-law of Mr. Wu and Ms. Yu
“Mr. Wu”	Mr. Wu Zhi Liang* (吳稚亮先生), being a shareholder, the legal representative, a director and the chairman of SH ShunFeng, the father of Mr. Wu Jing Xie, an uncle of Mr. Zhang, the spouse of Ms. Yu and a brother-in-law of Mr. Wang
“Mr. Wu Jing Xie”	Mr. Wu Jing Xie* (吳竟燮先生), a vice-president of administration of SH ShunFeng, the son of Mr. Wu and Ms. Yu, a nephew of Mr. Wang, a cousin of Mr. Zhang and being our Non-executive Director
“Mr. Zhang”	Mr. Zhang Chi, a nephew of Mr. Wu, Ms. Yu and Mr. Wang, a cousin of Mr. Wu Jing Xie, being one of our executive Directors and a shareholder of the Company holding 15,696,000 Shares which is representing approximately 1.31% of the total number of issued Shares
“Ms. Yu”	Ms. Yu Ling Zhu* (俞玲珠女士), being a shareholder and a director of SH ShunFeng, the mother of Mr. Wu Jing Xie, an aunt of Mr. Zhang, the spouse of Mr. Wu and a sister-in-law of Mr. Wang
“NEEQ”	the National Equities Exchange and Quotations, a national securities trading market in the PRC for trading the shares of public companies that are not listed on either the Shenzhen or Shanghai stock exchange
“PRC”	the People’s Republic of China, but for the purpose of this announcement only, unless otherwise indicated, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)

“SH ShunFeng”	Shanghai ShunFeng Restaurant Group Company Limited* (上海順風餐飲集團股份有限公司), a company established in the PRC with limited liability on 27 November 2008, whose 70% of issued shares are indirectly controlled by Mr. Wu under the Agreement to act in concert
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Restaurants”	15 restaurants currently operated by SH ShunFeng in Shanghai, the PRC, which are subject to additions or subtractions by SH ShunFeng with prior notification to the Group
“%”	percent.

For and on behalf of the Board
CBK Holdings Limited
Wong Wai Fong
Chairman and Executive Director

Hong Kong, 29 April 2020

* *For identification purpose only*

As at the date of this announcement, the chairman and an executive Director is Ms. WONG Wai Fong, the executive Directors are Mr. CHAN Lap Ping and Mr. Zhang Chi; the non-executive Director is Mr. Wu Jing Xie; and the independent non-executive Directors are Mr. CHAN Hoi Kuen Matthew, Mr. CHUNG Wing Yin, Mr. LAW Yui Lun and Mr. Lu Jun Bo.

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 (www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published on the website of the Company (www.cbk.com.hk).

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.