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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

Financial Adviser to CBK Holdings Limited



THE DISPOSAL

The Board announces that on 16 November 2023 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 51% of the issued share capital of the Disposal Company at the Consideration of HK\$1.2 million.

Upon Completion, the Disposal Company will no longer be a subsidiary of the Company and the Company will cease to hold any of the issued share capital of the Disposal Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder. The voting in respect of the Disposal at the EGM will be conducted by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder; and no Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details on the Disposal and the transactions contemplated thereunder; (ii) other information required under the GEM Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 7 December 2023 in accordance with the GEM Listing Rules.

As completion of the Disposal is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Share Transfer Agreement and the completion of the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE SHARE TRANSFER AGREEMENT

On 16 November 2023 (after trading hours), the Vendor and the Purchaser entered into the Share Transfer Agreement in relation to the Disposal. The salient terms of the Share Transfer Agreement are summarised below:

Date

16 November 2023 (after trading hours)

Parties

- (1) Purchaser : 1069171 B.C. LTD.; and
- (2) Vendor : Smart Sino Enterprises Limited (俊華企業有限公司), an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Subject matter

The Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 51% of the issued share capital of the Disposal Company.

Consideration

The Consideration for the Disposal is HK\$1.2 million. The Consideration shall be settled by the Purchaser in cash on the Completion Date.

The Consideration was determined after arm's length negotiations between the parties with reference to the unaudited management account of the Disposal Company for the six months ended 30 September 2023 and the financial performance of the Disposal Company as set out in the section headed "Information on the Disposal Company" of this announcement, the market brand and position, as well as the business prospect of the Disposal Company.

Conditions precedent

Completion of the Disposal is subject to the fulfilment or (if applicable) waiver of the following conditions:

- (1) the settlement of the Consideration in cash by the Purchaser to the Vendor;
- (2) the Vendor having delivered to the Purchaser a duly executed instrument of transfer and contract note in respect of the Sale Shares in favour of the Purchaser, together with the relevant share certificate(s) therefor or an indemnity in a form reasonably required by the Purchaser in the case of any missing share certificate; and
- (3) the passing of necessary resolution(s) by the Shareholders at the EGM approving the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder in accordance with the requirements of the GEM Listing Rules.

Condition (3) is not capable of being waived by any parties to the Share Transfer Agreement. Conditions (1) and (2) may be waived by the Purchaser or the Vendor, as applicable.

Vendor's undertaking

The Vendor agreed that it shall not operate Japanese izakaya under the brand name of Shio in Hong Kong for a period of five (5) years after the Completion Date.

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Share Transfer Agreement, Completion shall take place on the Completion Date. Upon Completion, the Disposal Company will no longer be a subsidiary of the Company and the Company will not hold any of the issued share capital of the Disposal Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE PARTIES TO THE SHARE TRANSFER AGREEMENT

The Company

The Company is an investment holding company and the Group is principally engaged in the provision of catering services, and sales and processing of food in Hong Kong.

The Vendor

The Vendor is a limited liability company incorporated in Hong Kong. It is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company and holds 51% of the issued share capital in the Disposal Company.

The Purchaser

The Purchaser is 1069171 B.C. LTD., a company incorporated in British Columbia on 21 March 2016 and is an investment holding company. It is wholly-owned by Mr. Kenny Kwan Tai NG, a Canadian businessman with operating catering operation business.

To the best knowledge of the Directors, having made reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company is a limited liability company incorporated in Hong Kong which is beneficially owned as to 51% by the Vendor and 49% by another third party as at the date of the Share Transfer Agreement. The Disposal Company operates one modern Japanese izakaya under the brand of “Shio” in Central, Hong Kong.

The audited financial results of the Disposal Company for the two years ended 31 March 2023 which are prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7,323	243
Loss for the year	(4,498)	(6,865)

The Disposal Company recorded net liability (excluding intercompany loans) of approximately HK\$0.3 million as at 30 September 2023.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, the Group will no longer have any interest in the Disposal Company and the Disposal Company will cease to be accounted as a subsidiary of the Group.

The estimated gain on the Disposal attributable to the owner of the Company based on the Consideration less the unaudited net liabilities of the Disposal Company (excluding intercompany loans) to be transferred as at 30 September 2023 is approximately HK\$1.5 million. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the Completion Date and the review and final audit by the auditor of the Company.

Net proceeds from the Disposal, which have deducted expenses in relation to the Disposal, are estimated to be approximately HK\$1.0 million. The Group currently intends to use the net proceeds from the Disposal as general working capital.

REASONS FOR THE DISPOSAL

As disclosed in the annual report of the Company for the year ended 31 March 2023, the past financial years were particularly challenging for the Group due to the outbreak of the novel coronavirus disease (“COVID-19”) and economic recession in Hong Kong. The Board has been monitoring the latest development of the market and consider any potential opportunities to cut loss. Taking into consideration that (i) there was no rent concession granted by the landlord of the Disposal Company during past financial years and the rent incurred by the Disposal Company is comparatively higher than the other restaurants operated by the Group; and (ii) the Disposal Company has been underperforming since 2021 due to social distancing measures of COVID-19, the Board believes that it would be in the interests of the Company and the Shareholders as a whole to dispose the Disposal Company. The Directors consider that the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

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DESPATCH OF CIRCULAR

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As completion of the Disposal is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Share Transfer Agreement and the completion of the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	CBK Holdings Limited (國茂控股有限公司), a company incorporated in the Cayman Islands with limited liability on 8 September 2016 and whose shares are listed on GEM of the Stock Exchange (stock code: 8428)
“Business Day(s)”	a day (not being a Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong
“Completion”	completion of the Disposal
“Completion Date”	the second Business Day after the last outstanding condition of the Share Transfer Agreement shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Vendor in writing) on which Completion is to take place
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$1,200,000 to be paid by the Purchaser to the Vendor in cash
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser
“Disposal Company”	Success Reach Holding Limited (榮成達控股有限公司), a company incorporated in Hong Kong with limited liability on 20 September 2021, and an indirect non-wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Disposal, the Share Transfer 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”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
“Purchaser”	1069171 B.C. LTD., a company incorporated in British Columbia on 21 March 2016, an Independent Third Party
“Sale Shares”	51% of the issued share capital of the Disposal Company
“Shareholders”	shareholder(s) of the Company
“Share Transfer Agreement”	the share transfer agreement dated 16 November 2023 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Smart Sino Enterprises Limited (俊華企業有限公司), a company incorporated in Hong Kong with limited liability on 6 June 2008, which is an indirect wholly-owned subsidiary of the Company
“%”	per cent

For and on behalf of the Board
CBK Holdings Limited
CHOW Yik
Chairman and Executive Director

Hong Kong, 16 November 2023

As at the date of this announcement, the Board comprises Mr. Chow Yik and Mr. Tsui Wing Tak as executive Directors; and Mr. Chan Kwan Yung, Mr. Zhang Yuhao and Ms. Lau Man Kei as independent non-executive Directors.

This announcement, for which 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 Stock Exchange 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 website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at <https://cbkholdings.etnet.com.hk>.