

# CBK Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8428

## FIRST QUARTERLY REPORT 2017





## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of CBK Holdings Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries. 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.





## HIGHLIGHTS

The Company and its subsidiaries (collectively referred to as the “Group”) recorded a revenue of HK\$23.7 million for the three months ended 30 June 2017 (2016: HK\$30.9 million).

Loss attributable to owners of our Company for the three months ended 30 June 2017 was HK\$5.1 million (2016: HK\$3.8 million).

Basic and diluted loss per share was 0.42 HK cents (2016: 0.43 HK cents) for the three months ended 30 June 2017.

The board of directors (the “Board”) does not recommend the payment of an interim dividend for the three months ended 30 June 2017.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months ended 30 June 2017

## RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017 (the "First Quarterly Financial Statements"), together with the unaudited comparative figures for the corresponding period of 2016. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the prospectus of the Company dated 27 January 2017 (the "Prospectus").

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3	23,746	30,852
Cost of inventories sold		(9,912)	(12,094)
Gross profit		13,834	18,758
Other revenue and other income	4	700	105
Staff costs		(9,018)	(9,906)
Depreciation of property, plant and equipment		(731)	(698)
Property rentals and related expenses		(5,789)	(5,505)
Fuel and utility expenses		(966)	(1,239)
Administrative expenses		(3,082)	(5,139)
<b>Loss before tax</b>	5	<b>(5,052)</b>	(3,624)
Income tax expenses	6	(23)	(137)
<b>Loss and total comprehensive loss for the period</b>		<b>(5,075)</b>	(3,761)
<b>(Loss)/profit and total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company		(5,075)	(3,840)
Non-controlling interests		–	79
		<b>(5,075)</b>	(3,761)
<b>Loss per share</b>			
Basic and diluted (HK cents)	8	<b>(0.42)</b>	(0.43)

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 30 June 2017

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note a)	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 April 2016	706	–	–	42,066	42,772	–	42,772
(Loss)/profit and total comprehensive (loss)/income for the period	–	–	–	(3,840)	(3,840)	79	(3,761)
At 30 June 2016 (unaudited)	706	–	–	38,226	38,932	79	39,011
At 1 April 2017	12,000	56,198	591	21,965	90,754	–	90,754
Loss and total comprehensive loss for the period	–	–	–	(5,075)	(5,075)	–	(5,075)
<b>At 30 June 2017 (unaudited)</b>	<b>12,000</b>	<b>56,198</b>	<b>591</b>	<b>16,890</b>	<b>85,679</b>	<b>–</b>	<b>85,679</b>

Note:

- (a) The merger reserve represented the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the reorganisation (the "Reorganisation") as fully explained in the paragraph headed "Reorganisation" in the section headed "History and Development" of the Prospectus and the nominal value of the share capital of the Company issued in exchange thereof.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 September 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Workshop B2, 5/F, High Fashion Centre, 1–11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong. Its ultimate holding company is Sure Wonder Investments Limited, a company incorporated in the British Virgin Islands.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 February 2017 (the "Listing Date").

The principal activity of the Company is investment holding. The principal activity of the Group is the provision of catering services in Hong Kong.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2017 (the "First Quarterly Financial Statements") have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2017 (the "2017 Annual Report"), except for the adoption of the new and revised HKFRSs, which are effective for the financial year beginning on or after 1 April 2017. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2017 Annual Report.

The Group has not adopted new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors do not anticipate that the application of new and revised HKFRSs issued but not yet effective will have material impact on the Group's financial performance and unaudited condensed consolidated financial position for the future and/or the disclosure set out in the Group's First Quarterly Financial Statements.

The First Quarterly Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. First Quarterly Financial Statements are presented in Hong Kong dollar ("HK\$") which is the same as the functional currency of the Company, and all values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

The First Quarterly Financial Statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.



# Notes to the Unaudited Condensed Consolidated Financial Statements

## 3. REVENUE

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Restaurants operations	23,746	30,852

## 4. OTHER REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Promotion income	629	–
Tips income	47	57
Others	24	48
	700	105

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Auditors' remuneration	62	65
Cost of inventories sold	9,912	12,094
Depreciation of property, plant and equipment	731	698
Listing expenses	–	2,626
Minimum lease payments under operating lease in respect of restaurants and office premises	5,294	5,076
Employee benefit expenses (including directors' and chief executive's remuneration):		
— Salaries and allowances	8,554	9,442
— Staff benefits	41	57
— Retirement benefit scheme contributions	423	407
	9,018	9,906

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 6. INCOME TAX EXPENSES

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Charge for the period	23	137

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 7. DIVIDEND

No dividends were paid, declared and proposed by the Company during the three months ended 30 June 2017 (2016: Nil). The Board does not recommend the payment of dividend for the three months ended 30 June 2017.

## 8. LOSS PER SHARE

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic loss per share	5,075	3,840

	Three months ended 30 June	
	2017	2016
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,200,000	900,000

The weighted average number of shares has been determined on the assumption that the capitalisation issue (as defined in the Prospectus), had been completed on 20 January 2017.

No diluted loss per share is presented as there were no potential ordinary shares in issue during the periods.



# Management Discussion and Analysis

## INDUSTRY OVERVIEW

The slowdown in global economy and the slow economic growth in the People's Republic of China added uncertainties to the Hong Kong economy. The domestic retail market remained sluggish for the first quarter of 2017. Despite the economic downturn, the food and beverage industry continued to face shortage of manpower, the pressure of rising costs in rent, labour and food ingredients while the competition in the industry remained intense. All the above factors put further pressure on the profit margin of the food and beverage industry.

## BUSINESS OVERVIEW

For the three months ended 30 June 2017, the Group operated nine restaurants in Hong Kong under the brands of "Calf Bone King (小肥牛火鍋活魚專門店)", "Beefy HotPot (小肥牛火鍋大排檔)", "Calf Bone King Steam Pot (小肥牛蒸氣石鍋火鍋專門店)" and "CBK Prince Club (小肥牛太子會)".

## FINANCIAL REVIEW

### Revenue

Our revenue for the three months ended 30 June 2017 decreased by HK\$7.2 million to HK\$23.7 million (2016: HK\$30.9 million). The drop in revenue was due to (i) closure of CCSW and CYL in July 2016 and October 2016 respectively, as mentioned in the Prospectus; and (ii) the decrease in revenue from our existing restaurants as affected by the sluggish economy.

### Cost of inventories sold

The cost of inventories sold mainly represents the costs of food ingredients and beverage for the operation of the Group's restaurants. The cost of inventories sold for the three months ended 30 June 2017 decreased by HK\$2.2 million to HK\$9.9 million (2016: HK\$12.1 million). The decrease was mainly due to the decrease in business as mentioned above.

### Gross profit and gross profit margin

The gross profit for the three months ended 30 June 2017 decreased by HK\$5.0 million to HK\$13.8 million (2016: HK\$18.8 million) and the gross profit margin for the three months ended 30 June 2017 decreased by 2.5% to 58.3% (2016: 60.8%). The decrease in gross profit margin was mainly due to the promotional campaign which provided a variety of discounts to customers.

### Other revenue and other income

Our other revenue and other income increased by HK\$0.6 million to HK\$0.7 million (2016: HK\$0.1 million) for the three months ended 30 June 2017, which was primarily due to the increase in promotion income from beverage suppliers.

# Management Discussion and Analysis

## **Staff costs**

Our staff costs decreased by HK\$0.9 million to HK\$9.0 million (2016: HK\$9.9 million) for the three months ended 30 June 2017. The decrease was mainly due to lower number of staff employed by the Group and a reduction of employee benefits paid to the Directors and chief executive during the period.

## **Depreciation of property, plant and equipment**

Our depreciation of property, plant and equipment remained relatively stable of HK\$0.7 million (2016: HK\$0.7 million) for the three months ended 30 June 2017.

## **Property rentals and related expenses**

Our property rentals and related expenses increased by HK\$0.3 million to HK\$5.8 million (2016: HK\$5.5 million) for the three months ended 30 June 2017. The increase was primarily due to the increase in rental expense incurred for CPE since November 2016.

## **Fuel and utility expenses**

Our fuel and utility expenses remained relatively stable at HK\$1.0 million (2016: HK\$1.2 million) for the three months ended 30 June 2017.

## **Administrative expenses**

Our administrative expenses decreased by HK\$2.0 million to HK\$3.1 million (2016: HK\$5.1 million) for the three months ended 30 June 2017, which was mainly due to the absence of listing expenses during the period.

## **Loss and total comprehensive loss for the period attributable to owners of our Company**

As a result of the cumulative effect of the above factors, the Group had loss and total comprehensive loss for the period attributable to owners of our Company of HK\$5.1 million (2016: HK\$3.8 million) for the three months ended 30 June 2017. The loss and total comprehensive loss attributable to owners of our Company for the three months ended 30 June 2017 was primarily attributable to the decrease in revenue as discussed above.

## **FUTURE PROSPECTS**

Despite the intense competition, the challenging operating environment of the catering industry and the slowdown in the Hong Kong economy, we have been carefully and prudently executing our development plan as set forth in the Prospectus. As set out in the Prospectus, we planned to expand our restaurant network by opening two more restaurants up to 30 September 2017. A new rental lease was signed in July 2017 to open a new restaurant. The renovation will start in August 2017, and we expect to complete by September 2017. We are in the process of identifying a suitable location for opening the other new restaurant. The proposed use of proceeds will be used as intended.

# Management Discussion and Analysis

## FOREIGN CURRENCY EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

## CAPITAL COMMITMENTS

As at 30 June 2017, the Group did not have any material capital commitments.

## CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

## PLEDGE OF ASSETS

As at 30 June 2017, the Group did not have any mortgage or charge over its assets.

## EVENTS AFTER REPORTING DATE

There are no material subsequent events undertaken by the Group after the reporting period.

## Other Information

### INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

#### Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange: (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"), or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long position in our Shares

Name of Director/chief executive	Capacity/ nature of interest	Number of shares held/ interested	Percentage of interest
Ms. Wong Wai Fong ("Ms. Wong")	Interest in controlled corporation	889,200,000	74.1%
Mr. Kwok Yiu Chung ("Mr. Kwok") (Note)	Family interest	889,200,000	74.1%

Note: Mr. Kwok, our chief executive officer, is Ms. Wong's spouse and is deemed to be interested in 889,200,000 shares in which Ms. Wong is interested under the SFO.

#### (ii) Long position in the ordinary shares of associated corporation

Name of Director/chief executive	Name of associated corporation	Capacity/ nature of interest	Number of shares held/ interested	Percentage of interest (approximate)
Mr. Wong (Note 1)	Sure Wonder Investments Limited ("Sure Wonder")	Beneficial owner	834	83.4%
		Family interest	17	1.7%
Mr. Kwok (Note 1)	Sure Wonder	Beneficial owner	17	1.7%
		Family interest	834	83.4%
Mr. Chan Lap Ping (Note 2)	Sure Wonder	Family interest	18	1.8%



## Other Information

### Notes:

1. Mr. Kwok, our chief executive officer, is Ms. Wong's spouse and is deemed to be interested in the shares of Sure Wonder held by Ms. Wong under the SFO. Accordingly, Ms. Wong, our executive director, is deemed to be interested in the shares of Sure Wonder held by Mr. Kwok under the SFO.
2. Mr. Chan Lap Ping, our executive director, is the spouse of Ms. Yang Dongxiang ("Ms. Yang") and is deemed to be interested in the shares of Sure Wonder held by Ms. Yang under the SFO.

Save as disclosed above, as at 30 June 2017, none of the Directors and the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the Register, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

### Interests and short positions of substantial shareholders and other persons in the shares, underlying shares and debentures of the Company and its associated corporations

So far as the Directors are aware of, as at 30 June 2017, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO (the "Substantial Shareholders' Register"), or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

### Long positions in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares held/interested	Percentage of interest
Sure Wonder (Note)	Beneficial owner	889,200,000	74.1%

Note: In view of the concert party arrangement among Ms. Wong, Mr. Kwok, Mr. Tam Wai Shing ("Mr. Tam"), Ms. Yang and Mr. Hui Chun Wah ("Mr. Hui"), Ms. Wong, Mr. Kwok, Mr. Tam, Ms. Yang and Mr. Hui, who, through Sure Wonder, control an aggregate of 889,200,000 Shares, representing 74.1% of the issued share capital of our Company. Hence, Ms. Wong, Mr. Kwok, Mr. Tam, Ms. Yang, Mr. Hui and Sure Wonder are a group of controlling shareholders within the meaning of the GEM Listing Rules.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any persons who/entities which had any interest or short position in the shares or underlying shares that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Substantial Shareholders' Register required to be kept under section 336 of the SFO.

## Other Information

### COMPETING BUSINESS

None of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”)) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the three months ended 30 June 2017.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The issued shares of the Company were listed on the GEM of the Stock Exchange on 15 February 2017 (“the Listing Date”). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company after the Listing Date and up to 30 June 2017.

### CORPORATE GOVERNANCE CODE

For the three months ended 30 June 2017, the Directors consider that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors’ securities transactions 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. Having made specific enquiries of all Directors, the Company confirms that the Directors have complied with such required standard of dealings and the Company’s code of conduct regarding Directors’ securities transactions for the three months ended 30 June 2017.

### INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited (“Guotai Junan”) to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Guotai Junan dated 17 October 2016.

### SHARE OPTION SCHEME

The share option scheme of the Company (the “Scheme”) has been adopted by the resolutions in writing of all the shareholders passed on 20 January 2017. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2017.

## Other Information

### AUDIT COMMITTEE

The audit committee of the Company (the “audit committee”) was established on 20 January 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the audit committee are to review the Company’s draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The audit committee currently consists of three independent non-executive Directors namely Mr. Chan Hoi Kuen Matthew, Mr. Chung Wing Yin and Mr. Law Yui Lun. The chairman of the audit committee is Mr. Law Yui Lun, who has appropriate professional qualifications and experience in accounting matters.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the three months ended 30 June 2017 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board

### **CBK Holdings Limited**

#### **WONG Wai Fong**

*Chairman and Executive Director*

Hong Kong, 10 August 2017

*As at the date of this report, the chairman and the executive Director of the Company is Ms. WONG Wai Fong, the executive Director of the Company is Mr. CHAN Lap Ping; and the independent non-executive Directors of the Company are Mr. CHAN Hoi Kuen Matthew, Mr. CHUNG Wing Yin and Mr. LAW Yui Lun.*

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at [www.cbk.com.hk](http://www.cbk.com.hk).*