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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ACQUISITION OF 51% EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of CBK Holdings Limited (the “**Company**”) dated 23 December 2020 in relation to the acquisition of 51% equity interest in the Target Company (the “**Announcement**”) and this announcement is made to provide supplemental information to the Announcement. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

BASIS OF THE CONSIDERATION

The Consideration of HK\$10,000,000 was determined after arm’s length negotiation between the Vendor and the Purchaser based on the value of the Target Company of approximately HK\$32.8 million (being the value of the Target Company with reference to the valuation report conducted by the Valuer). The Consideration represents a discount of approximately 40.1% to HK\$16.7 million (51% of approximately HK\$32.8 million being the value of the Target Company with reference to the valuation report conducted by the Valuer).

VALUATION

The Board have discussed with the Valuer on the methodology and assumptions adopted for the valuation. It is advised by the Valuer that (i) the income approach would involve lot of assumptions and the valuation could be largely influenced by any inappropriate assumptions made and (ii) the asset approach could not capture the future potential earning of the Target Company and could not reflect the market value of the Target Company, the Board agreed with the Valuer’s view that it is inappropriate to adopt the income approach and asset approach as the valuation methodologies of the Target Company.

As advised by the Valuer, market value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in a similar nature and business to that of the Target Group, their market values are good indicators of the industry. Market approach could reflect the current market’s investment preferences or investment habitat and provide up-to-date public market information and hence, allow the management of the Company to make a more informative decision.

Selection of market comparables

In calculating the valuated amount of the Target Company, the Valuer has calculated with reference to the price multiples of the comparable companies. The comparable companies were selected based on the below criteria:

- (i) the comparable companies are principally engaged in frozen aquatic products trading and processing in Asia;
- (ii) the comparable companies are profitable in the last twelve months according to latest financial disclosure; and
- (iii) the financial information of the comparable companies is available to the public.

The Valuer identified six market comparables which satisfied with the above criteria.

Adjustment of price-to-earnings ratios

The price-to-earnings ratios utilized was the price-to-earnings ratios after the adjustment based on market capitalization size premium since the historical tendency for the stocks of firms with smaller market capitalization tend to outperform the stocks of firms with larger market capitalization. The Valuer is of the view that it has taken into account the relatively short operating history of the Target Group (the Target Company commenced business since May 2020). The price-to-earnings multiple of 11.55 times (the “**Adjusted P/E**”) adopted in the valuation report was the median price-to-earnings multiple of the above comparable companies after adjustment of market capitalization size premium as at the date of valuation.

The annualized profit after tax used in the valuation of the Target Company was calculated by the profit after tax of approximately RMB2.3 million for the period ended 30 November 2020 divided by 11 times 12.

Although the operating history of the Target Company is relatively short, the Board considered that the application of the market approach is an appropriate approach as it introduces objectivity in application as publicly available inputs are used and few or no assumptions are needed and agreed with the view of the Valuer and considered that it is fair and reasonable to adopt the market approach with the Adjusted P/E on the valuation of the Target Company which was profit-making for the period ended 30 November 2020.

By Order of the Board
CBK Holdings Limited
CHOW Yik
Chairman and Executive Director

Hong Kong, 12 March 2021

As at the date of this announcement, the chairman and an executive Director is Mr. CHOW Yik, the executive Director is Mr. CHAN Lap Ping and Mr. TSUI Wing Tak and the independent non-executive Directors are Mr. CHAN Hoi Kuen Matthew, Mr. LAW Yui Lun, Mr. LU Jun Bo and Ms. Wong Syndia D.

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 at www.hkgem.com for at least seven days from the date of its publication and on the website of the Company at www.cbk.com.hk.

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