

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in CBK Holdings Limited you should at once hand this circular, and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

CBK Holdings Limited

國茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8428)

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**

MESSIS  **大有融資**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 10 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 36 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 63 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 28 July 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 10 August 2021 to Tuesday, 17 August 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 10 August 2021 to Tuesday, 17 August 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Room 1501, 15/F, Vanta Industrial Centre, 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, on Friday, 23 July 2021 at 11:00 a.m. (or immediately after the conclusion of an annual general meeting of the Company held at 10:00 a.m. on the same day) is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed “Conditions of the Rights Issue” in this circular. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the IS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or IS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

7 July 2021

CHARACTERISTICS OF GEM

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 Stock 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law.
- (ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong at any time in the preceding fourteen (14) days; (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law.
- (iii) All Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement may be denied entry into the EGM venue and be asked to leave the EGM venue to the extent permitted by the law. A safe distance between seats are also recommended.
- (iv) No distribution of corporate gift or refreshment will be provided at the EGM.

To the extent permitted under the law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all Shareholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by submitting proxy forms with voting instructions inserted.

The proxy form can be downloaded from the Company's website at www.cbk.com.hk and the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 June 2021 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“Associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Benchmarked Price”	the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day
“Board”	the board of Directors
“Business Day”	a full day upon which the Stock Exchange is open for dealings
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	CBK Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange
“Company Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the IS Unsold Rights Shares by the Placing Agent on a best efforts basis pursuant to the Placing Agreement
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Despatch Date”	Friday, 6 August 2021, being the expected date of despatch of the Prospectus Documents
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company convened to be held for the purpose of considering and, if thought fit, approving, among other things, the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue and the transactions contemplated thereunder
“Eligible Shareholders”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Ineligible Shareholder(s)
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong dollars
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$100,000,000 divided into 10,000,000,000 Existing Shares (or 1,000,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue at the EGM under the GEM Listing Rules
“Independent Third Parties”	any third party(ies) independent of and not connected with the Company and its connected persons or any of their respective Associates
“Ineligible Shareholder(s)”	those Overseas Shareholders in respect of whom the Board, after making relevant enquiries, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“IS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Ineligible Shareholders in nil-paid form that have not been sold by the Company
“Last Trading Day”	23 June 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	5 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 20 August 2021 or such later time or date as may be agreed by the Company, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 31 August 2021, or such later time as may be agreed by the Company and the Placing Agent in writing
“Net Gain”	any premiums paid by the placee(s) over the Subscription Price for the Unsubscribed Rights Shares and the IS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements after deduction of all reasonable expenses incurred by the Company and the Placing Agent

DEFINITIONS

“No Action Shareholder(s)”	Eligible Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed and/or the Ineligible Shareholders
“Overseas Shareholders”	the Shareholders whose addresses as shown in the register of members of the Company on the Record Date are not situated in Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue to the Eligible Shareholders
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the IS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the placing period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Grand China Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company for the Placing
“Placing Agreement”	the conditional placing agreement dated 23 June 2021 entered into between the Company and the Placing Agent in relation to the Placing of Unsubscribed Rights Shares and the IS Unsold Rights Shares
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus, containing further details of the Rights Issue, to be issued by the Company in relation to, among other things, the Rights Issue
“Prospectus Documents”	the Prospectus and PAL(s)
“Record Date”	Thursday, 5 August 2021, (or such other date as the Company may agree in writing), being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined

DEFINITIONS

“Registrar”	Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, the Company’s Hong Kong branch share registrar and transfer office
“Rights Issue”	the proposed issue by way of rights of Rights Shares on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price
“Rights Share(s)”	up to 2,160,000,000 new Shares (or 216,000,000 Consolidated Shares after the Share Consolidation becoming effective) to be allotted and issued under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s) (as the case may be)
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.10 each
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective)
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Sure Wonder”	Sure Wonder Investments Limited, a company incorporated in British Virgin Islands and a substantial shareholder of the Company as at the Latest Practicable Date
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Eligible Shareholders or holders of nil-paid rights
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the proposed Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing and the associated trading arrangement is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.....	4:00 p.m. on Friday, 16 July 2021
Closure of register of members of the Company for attending the EGM	Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive)
Latest time for lodging forms of proxy for the purpose of the EGM.....	11:00 a.m. on Wednesday, 21 July 2021
Record date for determining attendance and voting at the EGM	Friday, 23 July 2021
Expected date and time of the EGM.....	11:00 a.m. on Friday, 23 July 2021
Announcement of poll results of the EGM.....	Friday, 23 July 2021
Effective date of the Increase in Authorised Share Capital.....	Friday, 23 July 2021
Register of members of the Company re-opens.....	Monday, 26 July 2021
Effective date of the Share Consolidation.....	Tuesday, 27 July 2021
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Tuesday, 27 July 2021
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Tuesday, 27 July 2021
Original counter for trading in Existing Shares in the board lot size of 12,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 27 July 2021

EXPECTED TIMETABLE

Temporary counter for trading in the Consolidated Shares in the board lot size of 1,200 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 27 July 2021
Last day of dealings in the Shares on a cum-right basis relating to the Rights Issue	Tuesday, 27 July 2021
First day of dealings in the Shares on an ex-right basis relating to the Rights Issue	Wednesday, 28 July 2021
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:00 p.m. on Thursday, 29 July 2021
Closure of register of members of the Company for the Rights Issue	Friday, 30 July 2021 to Thursday, 5 August 2021 (both days inclusive)
Record Date of the Rights Issue	Thursday, 5 August 2021
Register of members of the Company re-opens	Friday, 6 August 2021
Despatch of the Prospectus Documents for the Rights Issues	Friday, 6 August 2021
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 10 August 2021
Original counter for trading in the Consolidated Shares in the board lot size of 12,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Tuesday, 10 August 2021
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in board lot size of 1,200 Consolidated Shares and new share certificates in board lot size of 12,000 Consolidated Shares) commences	9:00 a.m. on Tuesday, 10 August 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 10 August 2021

EXPECTED TIMETABLE

Latest time for splitting of PALs	4:00 p.m. on Thursday, 12 August 2021
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 17 August 2021
Latest time for lodging transfer document of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements.....	4:00 p.m. on Friday, 20 August 2021
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 20 August 2021
Announcement of the number of Unsubscribed Rights Shares and IS Unsold Rights Shares subject to the Compensatory Arrangements	Wednesday, 25 August 2021
Commencement of placing of Unsubscribed Rights Shares and IS Unsold Rights Shares by the Placing Agent	Thursday, 26 August 2021
Latest time of placing of Unsubscribed Rights Shares and IS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 30 August 2021
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Monday, 30 August 2021
Temporary counter for trading in the Consolidated Shares in the board lot size of 1,200 Consolidated Shares (in the form of existing share certificates) closes.....	4:10 p.m. on Monday, 30 August 2021
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends.....	4:10 p.m. on Monday, 30 August 2021
Latest time for Termination.....	4:00 p.m. on Tuesday, 31 August 2021

EXPECTED TIMETABLE

Latest time for free exchange of existing share
certificates for new share certificates 4:00 p.m. on
Thursday, 2 September 2021

Announcement of results of the Rights Issue
(including results of the placing of
Unsubscribed Rights Shares and
IS Unsold Rights Shares and the amount of
the Net Gain per Unsubscribed Rights Share
and IS Unsold Rights Share under
the Compensatory Arrangements) Friday, 3 September 2021

Share certificates for
fully-paid Rights Shares to be posted.....Monday, 6 September 2021

Refund cheques,if any, to be posted
if the Rights Issue is terminated.....Monday, 6 September 2021

Dealings in fully-paid Rights Shares commence.....9:00 a.m. on
Tuesday, 7 September 2021

Payment of Net Gain to relevant
No Action Shareholders (if any)..... Tuesday, 14 September 2021

**EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND
PAYMENT FOR THE RIGHTS SHARES**

The Latest Time for Acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 20 August 2021. Instead, the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 20 August 2021. Instead, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares and does not take place on Friday, 20 August 2021, the dates mentioned in the section headed “Expected Timetable” above may be affected. The Company will notify Shareholders by way of a separate announcement of any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD

CBK Holdings Limited

國茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8428)

Executive Directors:

Mr. Chow Yik (*Chairman*)

Mr. Chan Lap Ping

Mr. Tsui Wing Tak

Independent non-executive Directors:

Mr. Chan Hoi Kuen Matthew

Mr. Law Yui Lun

Mr. Lu Jun Bo

Ms. Wong Syndia D

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Room 1501, 15/F.

Vanta Industrial Centre

21–33 Tai Lin Pai Road

Kwai Chung

New Territories

Hong Kong

7 July 2021

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 23 June 2021 in relation to the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing. The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM.

LETTER FROM THE BOARD

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.10 each. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders by way of ordinary resolution at the EGM. Subject to the satisfaction of the conditions in the paragraph headed “(I) PROPOSED SHARE CONSOLIDATION — Conditions of the Share Consolidation” in this circular, the Share Consolidation will become effective on the second Business Day immediately after the date of the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.01 each, of which 1,440,000,000 Shares have been issued and are fully paid or credited as fully paid.

Immediately after the Share Consolidation becoming effective and assuming the Increase in Authorised Share Capital has become effective, and assuming that no further Existing Shares will be issued or repurchased from the Latest Practicable date up to the effective date of the Share Consolidation, the authorised share capital of the Company shall become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.10 each, of which 144,000,000 Consolidated Shares will have been issued and will be fully paid or credited as fully paid. Immediately after the Share Consolidation becoming effective and assuming the Increase in Authorised Share Capital has not been approved by the Shareholders at the EGM, and assuming that no further Existing Shares will be issued or repurchased from the Latest Practicable Date up to the effective date of the Share Consolidation, the authorised share capital of the Company shall become HK\$20,000,000 divided into 200,000,000 Consolidated Shares of par value of HK\$0.10 each, of which 144,000,000 Consolidated Shares will have been issued and will be fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other. The Share Consolidation will not result in any change in the rights of the Shareholders. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares which will not be allocated to the Shareholders who may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being fulfilled:

- (a) the passing of an ordinary resolution to approve the Share Consolidation by the Shareholders at the EGM;

LETTER FROM THE BOARD

- (b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (c) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and GEM Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Tuesday, 27 July 2021, being the second Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

Free exchange of share certificates

Subject to the Share Consolidation becoming effective, which is expected to be on Tuesday, 27 July 2021, Shareholders may on or after Tuesday, 27 July 2021 and until Thursday, 2 September 2021 (both days inclusive) submit their existing share certificates (in blue colour) for the Existing Shares to the Registrar for exchange for new share certificates (in green colour) for the Consolidated Shares at the expense of the Company. Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each share certificate issued for the Consolidated Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher.

LETTER FROM THE BOARD

After 4:00 p.m. on Thursday, 2 September 2021, existing share certificates in blue colour for the Existing Shares will continue to be good evidence of legal title and may be exchanged for share certificates in green colour for Consolidated Shares at any time but are not acceptable for trading, settlement and registration purposes.

Fractional Shares, odd lot arrangements and matching services

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed odd lot matching agent as the designated broker to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from Tuesday, 10 August 2021 to Monday, 30 August 2021 (both days inclusive). Shareholders who wish to use this matching service may contact Dealing Department of Grand China Securities Limited at 503, 5/F, Loke Yew Building, 50-52 Queen's Road Central, Hong Kong (telephone number: 3979 6718) during office hours of such period. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his, or her, or its own professional advisers.

Reasons for the share consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guide**”) has further stated that market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

Since 7 December 2020, the closing prices of the Shares were trading below HK\$0.1 and were trading at under HK\$2,000 per board lot. The proposed Share Consolidation will bring a corresponding upward adjustment in the trading price of the Company and enable the Company to increase the market price as well as each board lot value of the Shares so as to comply with the requirements under the GEM Listing Rules and the Guide.

In view of above, the Board considers that the Share Consolidation is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval from Shareholders by way of ordinary resolution at the EGM of an increase in the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$100,000,000 divided into 10,000,000,000 Existing Shares (or 1,000,000,000 Consolidated Shares after the Share Consolidation becoming effective). Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

In order to accommodate the growth of the Group and to provide the Company with greater flexibility to raise funds from the Rights Issue, the Board proposes the Increase in Authorised Share Capital. The Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

(III) PROPOSED RIGHTS ISSUE

Conditional upon the Increase in Authorised Share Capital having been approved by the Shareholders at the EGM and becoming effective, the Company proposes to raise up to approximately HK\$36.72 million (before expense) by issuing up to 2,160,000,000 new Shares (or 216,000,000 Consolidated Shares after the Share Consolidation becoming effective) to the Eligible Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date.

The terms of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue : Three (3) Rights Shares for every two (2) Shares held on the Record Date

Number of Shares in issue as at the Latest Practicable Date : 1,440,000,000 Shares (or 144,000,000 Consolidated Shares after the Share Consolidation becoming effective)

Number of Rights Shares : Up to 2,160,000,000 Rights Shares (or up to 216,000,000 Rights Shares after the Share Consolidation becoming effective) (assuming there is no change in the number of issued Shares on or before the Record Date other than the Share Consolidation becoming effective)

LETTER FROM THE BOARD

- Subscription Price : HK\$0.017 per Rights Share with nominal value of HK\$0.01 each (or HK\$0.17 per Rights Share with nominal value of HK\$0.10 each after the Share Consolidation becoming effective)
- Aggregate nominal value of the Rights Shares : Up to HK\$21,600,000 (assuming there is no change in the number of issued Shares on or before the Record Date)
- Maximum funds raised before expenses: : Up to approximately HK\$36.72 million (assuming all the Rights Shares will be taken up and no change in the number of Shares in issue until Record Date)

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The 2,160,000,000 nil-paid Rights Shares (or 216,000,000 nil-paid Rights Shares after the Share Consolidation becoming effective) proposed to be provisionally allotted represent 150% of the Company's issued Share capital as at the Latest Practicable Date and approximately 60% of the Company's issued Share capital as enlarged by the issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the IS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or IS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of his/her/its provisional allotment under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms such that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules.

As at the Latest Practicable Date, Sure Wonder has given its intention to take up the Rights Shares to be provisionally allotted to it under the Rights Issue to a level which does not trigger an obligation to make a general offer under the Takeovers Code.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective), payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) the same as the closing price of HK\$0.017 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 22.73% to the closing price of HK\$0.022 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 19.05% to the closing price of approximately HK\$0.021 per Share for the last five consecutive trading days as quoted on the Stock Exchange immediately prior to the Last Trading Day;
- (iv) a discount of approximately 19.05% to the closing price of approximately HK\$0.021 per Share for the last ten consecutive trading days as quoted on the Stock Exchange immediately prior to the Last Trading Day;
- (v) a discount of approximately 10.53% to the theoretical ex-rights price of approximately HK\$0.019 per Share based on the Benchmarked Price of HK\$0.022;
- (vi) the same as the audited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.017 as at 31 March 2021, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$24,375,000 as at 31 March 2021 and 1,440,000,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 13.64%, represented by the theoretical diluted price of approximately HK\$0.019 per Share to the Benchmarked Price of approximately HK\$0.022 per Share.

The Subscription Price and the subscription rate (i.e. three (3) Rights Shares for every two (2) Shares held on the Record Date) were determined with reference to the amount of fund raising targeted by the Company from the Rights Issue, the market price of the Shares under the prevailing market conditions, current financial market conditions and the financial position of the Group.

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The Directors consider that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group and the terms of the Rights Issue (including the Subscription Price) to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Eligible Shareholders and Ineligible Shareholder

The Rights Issue is only available to the Eligible Shareholders. The Company will send the Prospectus Documents to the Eligible Shareholders. The Company will not extend the Rights Issue to the Ineligible Shareholders. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Ineligible Shareholders for information purposes only but will not send any PAL to them.

Shareholders having an address in Hong Kong as shown on the register of members of the Company at the close of business on the Record Date will qualify for the Rights Issue.

In order for a non-registered holder or an investor to be registered as a member of the Company by the Record Date, transfers of the Shares (with the relevant share certificates) must be lodged with the Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by 4:00 p.m. on Thursday, 29 July 2021. The last day for dealing in the Shares on a cum-rights basis is Tuesday, 27 July 2021.

Eligible Shareholders who do not take up the Rights Shares to which they are entitled and Ineligible Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholder(s)

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

The Board notes the requirements specified in Rule 17.41(1) of the GEM Listing Rules and will make enquiries in the relevant jurisdictions as to the feasibility of extending the Rights Issue to the Overseas Shareholders. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Ineligible Shareholders and the Rights Issue will not be extended to them. The Company will, to the extent permitted

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under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Ineligible Shareholders for information purposes only but will not send any PAL to them.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Ineligible Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Ineligible Shareholders held on the Record Date. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Ineligible Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be subject to Compensatory Arrangements.

Based on the register of members of the Company as at the Latest Practicable Date, there is only one Overseas Shareholder, being Sure Wonder, with a registered address in the British Virgin Islands. Sure Wonder holds 393,206,400 Shares, representing approximately 27.31% of the issued Share capital of the Company.

The Company has obtained advice from legal advisers in the British Virgin Islands, and has been advised that under the applicable laws of the British Virgin Islands, the Rights Issue may be extended to the Overseas Shareholder having a registered address in the British Virgin Islands and such Overseas Shareholder is therefore an Eligible Shareholder.

Closure of register of members

The register of members of the Company will be closed from Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive) for determining the identity of the Shareholders' entitlements to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 30 July 2021 to Thursday, 5 August 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of any issued Shares of the Company will be registered during these periods.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (i) the Rights Issue having been approved by the Independent Shareholders at the EGM;
- (ii) the Increase in Authorised Share Capital of the Company having been approved by the Shareholders at the EGM and having become effective;

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- (iii) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms), by not later than, in the case of Rights Shares in nil-paid form, the first day of dealing of nil-paid Rights Shares and in the case of Rights Shares in fully-paid form, the first day of dealings in fully-paid Rights Shares;
- (iv) the filing and registration of the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Company Registry by no later than the Despatch Date; and
- (v) the posting of the Prospectus to the Ineligible Shareholders and the posting of the Prospectus Documents to the Eligible Shareholders by no later than the Despatch Date, or such later date as the Company may (subject, if required, to the approval of the Stock Exchange) determine.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the above conditions are not fulfilled on or before the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Eligible Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents. Application for all or any part of an Eligible Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Status of Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Eligible Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from

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such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Monday, 6 September 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques if the Rights Issue is terminated (if any) are expected to be posted on Monday, 6 September 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 12,000 Shares in one board lot as at the Latest Practicable Date. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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Procedures in respect of the Unsubscribed Rights Shares and the IS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the IS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

On 23 June 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders on a pro-rata basis.

The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m., on Monday, 30 August, placees for all (or as many as possible) of those Unsubscribed Rights Shares and the IS Unsold Rights Shares. Any Unsubscribed Rights Shares and the IS Unsold Rights Shares remain not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Net Gain (if any) will be paid (without interest) on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and IS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. the relevant Eligible Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Ineligible Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Placing Agreement for the Unsubscribed Rights Shares and the IS Unsold Rights Shares

Details of the Placing Agreement are summarized as follows:

Date: 23 June 2021 (after trading hours)

Issuer: The Company

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- Placing Agent:** Grand China Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and the IS Unsold Rights Shares during the placing period.
- The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. The Placing Agent confirmed that it and its ultimate beneficial owner(s) are the Independent Third Parties and are not Shareholders.
- Placing Period:** The period commencing from the fourth Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the sixth Business Day after the Latest Time for Acceptance.
- Commission and expenses:** The Company shall pay to the Placing Agent a commission of 3% of the sum which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and IS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and IS Unsold Rights Shares:** The placing price of the Unsubscribed Rights Shares and IS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and IS Unsold Rights Shares during the process of placement.
- Placees:** The Unsubscribed Rights Shares and IS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
- Pursuant to the terms of the Placing Agreement, (i) the Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules after the Placing; and (ii) the Placing will not have any implications under the Takeovers Code and no shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

LETTER FROM THE BOARD

Ranking of the Unsubscribed Rights Shares and IS Unsold Rights Shares:	The Unsubscribed Rights Shares and IS Unsold Rights Shares (when allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
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Conditions precedent of the Placing Agreement:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions precedent being fulfilled:
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- (i) the GEM Listing Committee having granted the listing of, and permission to deal in, the Rights Shares;
- (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

In the event that the above condition precedents have not been fulfilled or waived (where applicable) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

The engagement between the Company and the Placing Agent for the Placing (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of the Placing Agreement for the Unsubscribed Rights Shares and the IS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and IS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights

LETTER FROM THE BOARD

Shares and IS Unsold Rights Shares are successfully placed, any Net Gain over the Subscription Price will be distributed to the relevant No Action Shareholders. Any IS Unsold Rights Shares and/or Unsubscribed Rights Shares that are not placed by the Placing Agent will not be issued by the Company.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 10.31(1)(b) of the GEM Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the IS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (a) are not Shareholder; and (b) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Eligible Shareholders and the Ineligible Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the IS Unsold Rights Shares to the Company.

LETTER FROM THE BOARD

Effect of the Rights Issue on shareholdings in the Company

Set out below is the shareholding of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Shareholders other than Sure Wonder); (iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by the Eligible Shareholders); and (iv) immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent):

Before the Share Consolidation becoming effective

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Eligible Shareholders other than Sure Wonder)		Immediately after completion of the Rights Issue (assuming full acceptance by the Eligible Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent)	
	Number of shares	Approximate (%)	Number of shares	Approximate (%)	Number of shares	Approximate (%)	Number of shares	Approximate (%)
Sure Wonder	393,206,400	27.31	448,412,228 (Note 1)	29.99	983,016,000	27.31	983,016,000	27.31
The Placees	—	—	—	—	—	—	1,570,190,400	43.61
Other public Shareholders	<u>1,046,793,600</u>	<u>72.69</u>	<u>1,046,793,600</u>	<u>70.01</u>	<u>2,616,984,400</u>	<u>72.69</u>	<u>1,046,793,600</u>	<u>29.08</u>
Total	<u><u>1,440,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,495,205,828</u></u>	<u><u>100.00</u></u>	<u><u>3,600,000,000</u></u>	<u><u>100.00</u></u>	<u><u>3,600,000,000</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

After the Share Consolidation becoming effective

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Eligible Shareholders other than Sure Wonder)		Immediately after completion of the Rights Issue (assuming full acceptance by the Eligible Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent)	
	Number of shares	Approximate (%)	Number of shares	Approximate (%)	Number of shares	Approximate (%)	Number of shares	Approximate (%)
Sure Wonder	39,320,640	27.31	44,841,222 (Note 1)	29.99	98,301,600	27.31	98,301,600	27.31
The Placees	—	—	—	—	—	—	157,019,040	43.61
Other public Shareholders	104,679,360	72.69	104,679,360	70.01	261,698,440	72.69	104,679,360	29.08
Total	144,000,000	100.00	149,520,582	100.00	360,000,000	100.00	360,000,000	100.00

Notes:

- As mentioned in the paragraph headed “Non-underwritten basis” above, the application of a Shareholder will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in the provision of food catering services in Hong Kong and the food supplies in PRC.

The gross proceeds from the Rights Issue will be approximately HK\$36.72 million. The net proceeds (after deducting all relevant expenses) from the Rights Issue (the “**Net Proceeds**”) are estimated to be approximately HK\$34.51 million. The net price per Rights Share will be approximately HK\$0.016. On the assumption that only Sure Wonder takes up its entitlement under the Rights Shares (which will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules), Sure Wonder shall take up 55,205,828 Rights Shares (or 5,520,582 Rights Share after the Share Consolidation becoming effective) and the gross proceed from the Rights Issue will be approximately HK\$0.94 million.

The Company intends to apply the net proceeds from the Rights Issue (i) as to approximately HK\$30.91 million for expansion of existing food and beverage business; and (ii) as to approximately HK\$3.60 million for general working capital of the Group.

LETTER FROM THE BOARD

The intended use of proceed for the general working capital of the Group of approximately HK\$3.6 million from the Rights Issue are as follows:

- (i) approximately HK\$1.7 million will be utilized for rents of offices and restaurants;
- (ii) approximately HK\$1.5 million will be utilized for administrative staff cost and salaries of directors; and
- (iii) approximately HK\$0.4 million will be utilized for professional fee.

In order to expand the Group's existing business, the Group plans to operate one food court and open two new restaurants. The Net Proceeds will mainly be utilised for the initial set up costs (the "**Set Up Costs**") for the aforesaid food court and new restaurants, including but not limited to initial rental costs and deposit, renovation, furniture and set up of IT operation systems, details of which are as follows:

- (i) approximately HK\$16.92 million will be utilised as the Set Up Costs for a food court in a shopping mall located in Tsim Sha Tsui (the "**Food Court**");
- (ii) approximately HK\$7.27 million will be utilised as the Set Up Costs for a new restaurant with an expected area of approximately 3,855 square feet to be located in Jordan, Kowloon ("**Restaurant A**"); and
- (iii) approximately HK\$6.72 million will be utilised as the Set Up Costs for a new restaurant with an expected usage area of approximately 4,200 square feet to be located in Causeway Bay, Hong Kong Island ("**Restaurant B**").

As the Rights Issue will be on a non-underwritten basis, the actual amount of the Net Proceeds cannot be ascertained at this point. If the Rights Issue is undersubscribed, the Net Proceeds will be adjusted as below:

- (i) If the Net Proceeds is less than HK\$6.72 million, all of the Net Proceed will be applied for general working capital of the Group;
- (ii) If the Net Proceeds is more than HK\$6.72 million, but less than HK\$7.27 million, the Net Proceeds will be applied for setup of Restaurant B and the remaining will be applied for general working capital of the Group;

LETTER FROM THE BOARD

(iii) If the Net Proceeds is more than HK\$7.27 million, but less than HK\$16.92 million, the Net Proceeds will be applied in the following order of priority:

- (a) Set up of Restaurant B;
- (b) Set up of Restaurant A (if the remaining Net Proceeds after set up of Restaurant B is HK\$7.27 million or more, otherwise such remaining Net Proceeds will be applied for general working capital of the Group); and
- (c) General working capital of the Group.

(iv) If the Net Proceeds is more than HK\$16.92 million, the Net Proceeds will be applied in the following order of priority:

- (a) Set up of the Food Court;
- (b) Set up of the Restaurant B (if the remaining Net Proceed after set up of the Food Court is HK\$6.72 million or more, otherwise such remaining Net Proceeds will be applied for general working capital of the Group);
- (c) Set Up of the Restaurant A (if the remaining Net Proceed after set up of the Food Court and Restaurant B is HK\$7.27 million or more, otherwise such remaining Net Proceeds will be applied for general working capital of the Group); and
- (d) General Working Capital of the Group.

As at the Latest Practicable Date, the Company has identified three suitable premises for the food court and two new restaurants, details of which are set out below:

	location	Gross floor area (approx. square foot)	Expected rental per month	Expected term	Expected Cuisine type	Expected capacity	Expected Availability
The Food Court	Tsim Sha Tsui	4,964 sf. (lettable area)	HK\$310,000 per month	3 years (with an option to renew 3 more years)	It will be a composite of 4 restaurants offering Korean style cuisine	260 seats	According to the landlord, the existing tenancy agreement of the premises will expire in September 2021.
Restaurant A	Jordan	3,855 sf.	HK\$220,000 per month	3 years (with an option to renew 3 more years)	Asian style cuisine	200 seats	The existing tenancy agreement of the premises will expire in June 2021
Restaurant B	Causeway Bay	6,378 sf. (usage area 4,200 sf.)	HK\$180,000 to HK\$240,000 per month	3 years (with an option to renew 3 more years)	Asian style cuisine	100 seats	The premise is vacant

LETTER FROM THE BOARD

(i) *Food Court*

The Food Court will be located in Tsim Sha Tsui. The Company will form a joint venture (the “**Joint Venture**”) with Top Trend International Investment Limited (the “**Top Trend**”) to jointly operate the Food Court. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Top Trend and its ultimate beneficial owner(s) are Independent Third Parties. The Joint Venture will be owned as to 51% by the Group and 49% by Top Trend. As at the Latest Practicable Date, Top Trend operates several cuisine brands in Hong Kong, principally of which are Korean style cuisines. A summary of which is set out below:

Brand name	Cuisine type	Number of restaurant in Hong Kong
SHINMAPO BBQ (新麻蒲BBQ)	Korea BBQ	4
NeNe Chicken	Korea fried chicken	6
Modern Majang	Korea BBQ	1
Tenkichiya (天吉屋)	Japan Tempura	1
Isaac Toast	Korea sandwiches	2
Sheng Mian (勝面)	Taiwan noodles	1

It is planned to operate four Korean brands in the Food Court which include (1) Korean BBQ brand; (2) fried chicken brand; (3) a brand that serves Korean fried noodles (炸醬面) with over one hundred years history; and (4) a brand that serves Korean congee. The Food Court will focus on providing Korean style food and beverages to customers of all ages with a preference for quality Korean food in a less formal surroundings.

The Company considers that the Food Court is a key major development and strategic movement of the Group. As at the Latest Practicable Date, the principal terms (including development direction, rental and term of lease) have been agreed with the relevant landlord, subject to formal agreement, and it is expected that the site for the Food Court will be available in September 2021.

On the basis that the site area for the Food Court will be successfully leased to the Company around September 2021, the Company expects that it will take approximately one month (i.e. around August to September 2021) to prepare and finalise the relevant agreements with the shopping mall and the Korean cuisine brands. It is expected to take another 1.5 to 2 months to design and renovate the Food Court (i.e. approximately September to November 2021). It is the Company’s current intention that the grand opening of the Food Court will be between mid-November to early December 2021.

LETTER FROM THE BOARD

The detailed allocation of the Net Proceeds of approximately HK\$16.92 million and timeline to set up the Food Court are as follows:

	<i>HK\$'000</i>	Expected Timeline
1 month rent advance and management fee and rate	410	September 2021
6 months rental deposit	2,500	
Upgrading of air conditioning and air purification	1,000	
Renovation cost	8,000	
Purchase of furniture	1,300	September to
Setup of fire system	1,200	November 2021
Setup of broadcasting and sound system	1,200	
Setup of point of sale and information technology system	1,000	
Initialisation miscellaneous expenses	<u>310</u>	
Total	<u><u>16,920</u></u>	

(ii) Restaurant A

Restaurant A will be located in Jordon and the Company proposes to operate Restaurant A on its own under a new brand. Restaurant A will tentatively offer fusion Asian cuisine (Japanese/Korean/Chinese/Singaporean) and target consumers in the mass market themed at customers who enjoy gourmet and trendy food concepts. The Company plans to commence the preparation of Restaurant A after the Food Court and Restaurant B have been successfully launched and commenced full operation.

As at the Latest Practicable Date, the Company is in the process of negotiating and finalizing the terms of the lease with the relevant landlord.

(iii) Restaurant B

Restaurant B will be located in Causeway Bay in sight of the Happy Valley Racecourse. The Company proposes to operate Restaurant B on its own under a new brand. In view of the prime location and the view of Restaurant B, it will be targeting at middle to high-end customers. Restaurant B is planned to offer fusion Chinese cuisine. It is anticipated that the preparation of Restaurant B will commence after the relevant agreements in respect of the Food Court are finalised. The design and renovation of Restaurant B is expected to take approximately 1.5 to 2 months. The grand opening of the Restaurant B is expected to be between mid- November 2021 and early-December 2021.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the premises for Restaurant B is currently vacant and the Company has preliminarily agreed with the relevant landlord on the rent and term.

Notwithstanding the social distancing measures and restriction related to operation of restaurants adopted by the Hong Kong government to curb the COVID-19 pandemic (the “**Pandemic**”) in the last year, the management of the Company noticed that there is significant growth in the takeaway market. The establishment and operation of the Food Court is expected to provide the Group with additional flexibility to generate more revenue by offering takeaways service and thus seize the opportunities on the takeaway market in order to enhance the revenue stream of the Group in light of the new dining lifestyle as a result of the Pandemic.

Furthermore, since February 2021, the Hong Kong government has gradually relaxed the restrictions on operation of restaurants in Hong Kong, including (i) maximum number of people allowed to be seated together at one table at catering business premises was increased from two to four; (ii) dine-in services at restaurants was extended to 10:00 p.m.; and the launch of the “vaccine bubbles” for restaurants which further relaxed dining restrictions based upon the number of staff that have been vaccinated and intermittency of testing. The Hong Kong government also launched the COVID-19 vaccination program. As such, the Directors consider it is prudent and competitive to resume and expand the Group’s food and beverage business.

The Directors have considered other financing alternatives to raise funds including (i) debt financing and (ii) equity fund raising such as placement of Shares and open offer.

Debt financing

The Directors consider that the availability of debt financing is usually subject to the availability of collateral and the financial performance of the Group. The Company approached a total of three banks in Hong Kong, however no positive feedback was received by the Company given (i) small market capitalization of the Company; (ii) the Group recorded net loss for 4 consecutive years ended 31 March 2020 and for the nine months ended 31 December 2020; and (iii) the Group does not have substantial fixed assets for collateral.

Other equity fund raising options

As for equity fund raising, such as placement of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers eligible shareholders to participate, but it does not allow free trading of rights entitlements in the open market.

LETTER FROM THE BOARD

The Company had approached a total of three securities firms in Hong Kong and explored the possibility of different equity fund raising options, such as placement of new shares and rights issue. The Placing Agent has explicitly shown an interest in carrying out a rights issue only on a best effort basis. No positive feedback was received from other securities firms given (i) small market capitalization of the Company as well as the market price of the Share is low; (ii) the Group recorded net loss for 4 consecutive years ended 31 March 2020 and for the nine months ended 31 December 2020; and (iii) uncertainty on the operation of the Group as a result of the Pandemic.

The Rights Issue will provide a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position without increasing finance costs, and also allow all outstanding Shareholders to maintain their proportional shareholdings in the Company.

In view of the above, the Directors consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Fund raising activity of the Company during the past twelve months

Set out below is the equity fund raising activity announced by the Company in the past twelve months prior to the date of the Announcement:

Date of announcements	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
5 January 2021 and 27 January 2021	Placing of new shares under general mandate	approximately HK\$6.8 million	general working capital	The net proceeds have been fully utilised for general working capital of the Group, including (i) purchase of goods and services; (ii) utilities; (iii) salaries and directors fee; (iv) marketing expenses; (v) rent and/or deposit for offices, warehouses and restaurants; (vi) professional fee; and (vii) addition of property, plant and equipment

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their Associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders of the Company and their respective Associates or, where there are no controlling shareholders of the Company, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective Associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, since the Company has no controlling shareholder and none of the Directors (excluding the independent non-executive Directors) and chief executive of the Company, and their respective associates hold any Shares, as such no Shareholders shall be required to abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

GENERAL

The EGM will be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing. The register of members of the Company will be closed from Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

In order to be registered as members of the Company on the record date for attending and voting at the EGM, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by 4:00 p.m. on Friday, 16 July 2021.

The notice convening the EGM to be held at Room 1501, 15/F, Vanta Industrial Centre, 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Friday, 23 July 2021 at 11:00 a.m. (or immediately after the conclusion of the AGM held at 10:00 a.m. on the same day) is set out on pages EGM-1 to EGM-5 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Wednesday, 21 July 2021, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

In compliance with the GEM Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Eligible Shareholders on Friday, 6 August 2021.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Share Consolidation is not conditional upon the completion of the Rights Issue, the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “(I) PROPOSED SHARE CONSOLIDATION — Conditions of the Share Consolidation” in this circular. Accordingly, the Share Consolidation may or may not finally proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Shareholders and potential investors of the Company should note that the Rights Issue is not conditional upon the Share Consolidation becoming effective, the Rights Issue is conditional upon satisfaction of the conditions as set out in the paragraph headed “(III) PROPOSED RIGHTS ISSUE — Conditions of the Rights Issue” in this circular. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 28 July 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 10 August 2021 to Tuesday, 17 August 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 36 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 37 to 63 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
CBK Holdings Limited
Chow Yik
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CBK Holdings Limited

國茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8428)

7 July 2021

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

We refer to the circular of the Company dated 7 July 2021 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Chan Hoi Kuen Matthew Mr. Law Yui Lun Mr. Lu Jun Bo Ms. Wong Syndia D
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



7 July 2021

*To: The Independent Board Committee and the Independent Shareholders of
CBK Holdings Limited*

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 7 July 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 23 June 2021, the Company proposes to (i) implement the Share Consolidation on the basis that every ten (10) Existing Shares be consolidated into one (1) Consolidated Share; (ii) increase the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$100,000,000 divided into 10,000,000,000 Existing Shares (or 1,000,000,000 Consolidated Shares after the Share Consolidation becoming effective); and (iii) implement the Rights Issue on the basis of three (3) Rights Share for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective), to raise up to approximately HK\$36.72 million (before expenses) by issuing up to 2,160,000,000 new Shares (or 216,000,000 Consolidated Shares after the Share Consolidation becoming effective) to the Eligible Shareholders. The Rights Issue will not be available to the Ineligible Shareholders (if any).

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at the EGM by way of poll and any controlling shareholders of the Company and their respective

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

associates or, where there are no controlling shareholders of the Company, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling shareholder and thus no Shareholders will be required to abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Hoi Kuen Matthew, Mr. Law Yui Lun, Mr. Lu Jun Bo and Ms. Wong Syndia D, has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue and the transactions contemplated thereunder. We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years from the date of our appointment, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or any other parties. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and transaction contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the date of the EGM, and the Shareholders will be informed of any material change of information. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

Our review and analyses were based upon, among other things, the information provided by the Company including the announcements and the Circular and certain published information from the public domain including trading performances of the Shares on the Stock Exchange, information set out in the Circular and the annual report of the Company for the year ended 31 March 2021 (the “**Annual Report**”). We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons set out below:

1. Background information of the Group

1.1 Principal business of the Group

The Company was incorporated in the Cayman Islands on 8 September 2016 as an exempted company with limited liability, with its shares listed on GEM. The principal activity of the Company is investment holding. The Group is principally engaged in provision of catering services in Hong Kong and the food supplies in PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Historical financial performance of the Group

Set out below is a summary of the key financial information of the Group as extracted from the Annual Report for each of the years ended 31 March 2020 and 2021 (“FY2020” and “FY2021”):

	Year ended 31 March	
	2020	2021
	(audited)	(audited)
	HK\$'000	HK\$'000
Revenue	43,024	12,634
Cost of inventories sold	<u>(19,016)</u>	<u>(6,781)</u>
Gross profit	24,008	5,853
Other revenue, other gain and loss	2,651	9,621
Staff costs	(15,265)	(7,656)
Depreciation	(14,943)	(3,502)
Property rentals and related expenses	(2,934)	(531)
Fuel and utility expenses	(1,975)	(658)
Impairment loss recognised in respect of property, plant and equipment	(260)	(1,302)
Impairment loss recognised in respect of right-of-use assets	(8,917)	(3,685)
Administrative expenses	(14,167)	(7,863)
Finance costs	<u>(1,081)</u>	<u>(472)</u>
Loss before taxation	(32,883)	(10,195)
Income tax expense	<u>—</u>	<u>(111)</u>
Loss and total comprehensive loss for the year	<u><u>(32,883)</u></u>	<u><u>(10,306)</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March	
	2020	2021
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	9,227	14,891
Current assets	<u>39,095</u>	<u>22,393</u>
Total assets	<u><u>48,322</u></u>	<u><u>37,284</u></u>
Current liabilities	13,034	8,106
Non-current liabilities	<u>7,724</u>	<u>2,969</u>
Total liabilities	<u><u>20,758</u></u>	<u><u>11,075</u></u>
Net assets	<u><u>27,564</u></u>	<u><u>26,209</u></u>

Comparison between FY2020 and FY2021

The Group recorded revenue of approximately HK\$12.6 million for FY2021, representing a decrease of approximately 70.7% as compared to approximately HK\$43.0 million for FY2020. During FY2020, the Group underwent a series of business consolidation including the closures of two of its restaurants located at Kwai Chung and Prince Edward in May 2019 and three of its restaurants located at Tsim Sha Tsui, Jordan, and Tuen Mun in March 2020, in order to minimise the Group's operating losses. During FY2021, the outbreak of COVID-19 since January 2020 has significantly affected the Group's business due to the fact that the Hong Kong Government launched various policies and measures to control and prevent the spread of COVID-19. After reviewing the performance of the restaurant located at Tai Po, the Group decided to close down the restaurant in November 2020 to minimise the loss. As advised by the Management, the aforesaid ceased restaurants are mainly served hotpot dining to the customers. The decrease in the Group's revenue was mainly due to (i) the outbreak of COVID-19 in Hong Kong since January 2020 resulting in the significant decline in the number of customers visiting its restaurants under the control and prevention measures implemented by the Hong Kong Government (e.g.: limitation in seating capacity and the prohibition of dine-in services after 6:00 p.m.); and (ii) the closures of the aforesaid restaurants during FY2020 and FY2021. As at the Latest Practicable Date, the Group operates one restaurant under its brand "Fun Fun Fun" located at Tai Wai in Hong Kong and one Korean restaurant under the brand "Aidan Cafe" located at Tai Wai.

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For FY2021, the Group recorded loss and total comprehensive loss of approximately HK\$10.3 million, as compared to that of approximately HK\$32.9 million for FY2020, which was mainly attributable to the decrease in the Group's gross profit due to the aforesaid decrease in the Group's revenue; and partially offset by (i) the decrease in the Group's operating expenses, including the staff costs, depreciation, property rentals and related expenses and administrative expenses, as a result of the aforesaid closures of the restaurants during FY2020 and FY2021; and (ii) the Group's other revenue and other income due to the gain on the lease modification and the receipt of government and other subsidies.

As at 31 March 2021, the Group's total assets amounted to approximately HK\$37.3 million, as compared to that of approximately HK\$48.3 million as at 31 March 2020, which was mainly due to the significant decrease in the Group's cash and cash equivalents of approximately HK\$16.8 million which has been partially offset by the increase in the deposit paid for acquisition of a subsidiary of approximately HK\$5.0 million. As of the same date, the Group's total liabilities amounted to approximately HK\$11.1 million, as compared to that of approximately HK\$20.8 million as at 31 March 2020, which was mainly due to the significant decrease in the Group's total lease liabilities of approximately HK\$8.9 million.

2. Reasons for the proposed Rights Issue and the use of proceeds

As set out in the Letter, the gross proceeds from the Rights Issue will be approximately HK\$36.72 million. The net proceeds (after deducting all relevant expenses) from the Rights Issue (the "**Net Proceeds**") are estimated to be approximately HK\$34.51 million. The Company intends to apply the Net Proceeds from the Rights Issue (i) as to approximately HK\$30.91 million for expansion of existing food and beverage business; and (ii) as to approximately HK\$3.6 million for general working capital of the Group.

In order to expand the Group's existing business, the Group plans to operate one food court and open two new restaurants. The Net Proceeds will mainly be utilised for the initial set up costs (the "**Set Up Costs**") for the aforesaid food court and new restaurants, including but not limited to initial rental costs and deposit, renovation, furniture and set up of IT operation systems, details of which are as follows:

- (i) approximately HK\$16.92 million will be utilised as the Set Up Costs for a food court in a shopping mall located in Tsim Sha Tsui (the "**Food Court**");
- (ii) approximately HK\$7.27 million will be utilised as the Set Up Costs for a new restaurant with an expected area of approximately 4,000 square feet to be located in Jordan, Kowloon ("**Restaurant A**"); and
- (iii) approximately HK\$6.72 million will be utilised as the Set Up Costs for a new restaurant with an expected area of approximately 4,200 square feet to be located in Causeway Bay, Hong Kong Island ("**Restaurant B**").

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Food Court

The Company will form a joint venture (the “**Joint Venture**”) with Top Trend International Investment Limited (“**Top Trend**”) to jointly operate the Food Court. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Top Trend and its ultimate beneficial owner(s) are Independent Third Parties. The Joint Venture will be owned as to 51% by the Group and 49% by Top Trend. As at the Latest Practicable Date, Top Trend operates several cuisine brands in Hong Kong, principally of which are Korean style cuisines. As advised by the Management, it is planned to operate four Korean brands in the Food Court which include (1) Korean BBQ brand; (2) fried chicken brand; (3) a brand that serves Korean fried noodles (炸醬面) with over one hundred years history; and (4) a brand that serves Korean congee. The Food Court will focus on providing Korean style food and beverages to customers of all ages with a preference for quality Korean food in a less formal surroundings.

Restaurant A

The Company proposes to operate Restaurant A on its own under a new brand. As advised by the Management, Restaurant A will tentatively offer fusion Asian cuisine (Japanese/Korean/Chinese/Singaporean) and target consumers in the mass market themed at customers who enjoy gourmet and trendy food concepts. The Company plans to commence the preparation of Restaurant A after the Food Court and Restaurant B have been successfully launched and commenced full operation.

Restaurant B

The Company proposes to operate Restaurant B on its own under a new brand. As advised by the Management, in view of the prime location and the view of Restaurant B, it will be targeting at middle to high-end customers. Restaurant B is planned to offer fusion Chinese cuisine. It is anticipated that the preparation of Restaurant B will commence after the relevant agreements in respect of the Food Court are finalised.

As discussed with the Management, and as disclosed in the Annual Report, the Group continuingly recorded net loss of approximately HK\$32.9 million and HK\$10.3 million, respectively, for FY2020 and FY2021 which was mainly due to the significant decline in the number of customers as a result of the control and prevention measures implemented by the Hong Kong Government due to the outbreak of COVID-19. Such control and prevention measures had adversely affected the Group’s business since the hotpot dining is a traditional choice for group gathering and is normally offered during night time. Notwithstanding the social distancing measures and restriction related to operation of restaurants adopted by the Hong Kong government to curb the COVID-19 pandemic in the last year, the Management noticed that there is significant growth in the takeaway market due to the change of customers’ dining lifestyle as a result of the outbreak of COVID-19. As such, the establishment and operation of the Food Court is expected to provide

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the Group with additional flexibility to generate more revenue by offering takeaways service and thus seize the opportunities on the takeaway market in order to enhance the revenue stream of the Group.

In addition, the Hong Kong Government has gradually relaxed the restrictions on operation of restaurants in Hong Kong since February 2021, including (i) maximum number of people allowed to be seated together at one table at catering business premises was increased from two to four and (ii) dine-in services at restaurants was extended to 10:00 p.m. and it also launched the COVID-19 vaccination program.

The Directors therefore believe that by offering (i) takeaways service in order to seize the opportunities on the takeaway market; and (ii) trendier cuisine types (i.e.: Korean cuisine, fusion Asian cuisine and fusion Chinese cuisine) as compared to the traditional hotpot dining in the Food Court, Restaurant A and Restaurant B in order to target a wider range of customer base, would allow the Group to broaden its revenue stream.

Given that (i) the continued net loss recorded by the Group and the closures of numbers of the Group's restaurants in recent years; (ii) the significant decrease in the Group's cash and cash equivalents of approximately HK\$16.8 million from approximately HK\$34.1 million at 31 March 2020 to approximately HK\$17.3 million as at 31 March 2021; (iii) the significant growth in the takeaway market due to the change in customer's dining lifestyle as a result of the outbreak of COVID-19; (iv) the establishment and operation of the Food Court is expected to provide the Group with additional flexibility to generate more revenue by offering takeaways service; and (v) the Hong Kong Government has gradually relaxed the restrictions on operation of restaurants in Hong Kong since February 2021, we are of the view that it is justifiable for the Group to apply the net proceeds from the Rights Issue to expand the Group's existing food and beverage business.

3. Fund-raising activities during the past 12 months

As set out in the Letter, save for the equity fund raising activities as mentioned below, the Company did not raise any other funds by issue of equity securities during the twelve months immediately preceding the Latest Practicable Date.

Date of announcements	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
5 January 2021, 27 January 2021	Placing of new shares under general mandate	approximately HK\$6.8 million	general working capital	Used for general working capital of the Group, including (i) purchase of goods and services; (ii) utilities; (iii) salaries and directors fee; (iv) marketing expenses; (v) rent and/or deposit for offices, warehouses and restaurants; (vi) professional fee; and (vii) addition of property, plant and equipment

4. Financing alternatives

As mentioned in the Letter, the Directors have considered other financing alternative to raise funds including (i) debt financing and (ii) equity fund raising such as placement of Shares and open offer. After discussing with the Management, we understand that the Board had resolved to Rights Issue in meeting its funding needs as disclosed in the reasons as follows:

(i) Debt financing

The Directors consider that the availability of debt financing is usually subject to the availability of collateral and the financial performance of the Group. As advised by the Management, the Company approached a total of three banks in Hong Kong, however no positive feedback was received by the Company given (i) small market capitalisation of the Company; (ii) the Group recorded net loss for 4 consecutive years ended 31 March 2020 and for the nine months ended 31 December 2020; and (iii) the Group does not have substantial fixed assets for collateral.

(ii) Other equity financing options

As for equity fund raising, such as placement of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers eligible shareholders to participate, but it does not allow free trading of rights entitlements in the open market.

As advised by the Management, the Company had approached a total of three securities firms in Hong Kong and explored the possibility of different equity fund raising options, such as placement of new shares and rights issue. The Placing Agent has explicitly shown an interest in carrying out a rights issue only on a best effort basis. No positive feedback was received from other securities firms given (i) small market capitalisation of the Company as well as the market price of the Share is low; (ii) the Group recorded net loss for 4 consecutive years ended 31 March 2020 and for the nine months ended 31 December 2020; and (iii) uncertainty on the operation of the Group as a result of the outbreak of COVID-19.

In view of the above, the Rights Issue will provide a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position without increasing finance costs, and also allow all outstanding Shareholders to maintain their proportional shareholdings in the Company.

5. Principal terms of the Rights Issue and the Placing Agreement

5.1 Rights Issue

According to the Letter, the Company proposes to raise up to approximately HK\$36.72 million (before expense) by issuing up to 2,160,000,000 new Shares (or 216,000,000 Consolidated Shares after the Share Consolidation becoming effective) to the Eligible Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date. The terms of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	1,440,000,000 Shares (or 144,000,000 Consolidated Shares after the Share Consolidation becoming effective)
Number of Rights Shares	:	Up to 2,160,000,000 Rights Shares (or up to 216,000,000 Rights Shares after the Share Consolidation becoming effective) (assuming there is no change in the number of issued Shares on or before the Record Date other than the Share Consolidation becoming effective)
Subscription Price	:	HK\$0.017 per Rights Share with nominal value of HK\$0.01 each (or HK\$0.17 per Rights Share with nominal value of HK\$0.10 each after the Share Consolidation becoming effective)
Aggregate nominal value of the Rights Shares:	:	Up to HK\$21,600,000 (assuming there is no change in the number of issued Shares on or before the Record Date)
Maximum funds raised before expenses	:	up to approximately HK\$36.72 million (assuming all the Rights Shares will be taken up and no change in the number of Shares in issue until Record Date)

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

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The 2,160,000,000 nil-paid Rights Shares (or 216,000,000 nil-paid Rights Shares after the Share Consolidation becoming effective) proposed to be provisionally allotted represent 150% of the Company's issued Share capital as at the Latest Practicable Date and approximately 60% of the Company's issued Share capital as enlarged by the issue of the Rights Shares.

5.2 Placing Agreement for the Unsubscribed Rights Shares and the IS Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date	:	23 June 2021 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Grand China Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and the IS Unsold Rights Shares during the placing period. The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. The Placing Agent confirmed that it and its ultimate beneficial owner(s) are the Independent Third Parties and are not Shareholders.
Placing Period	:	The period commencing from the fourth Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the sixth Business Day after the Latest Time for Acceptance.
Commission and expenses	:	The Company shall pay to the Placing Agent a commission of 3% of the sum which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and IS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

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- | | | |
|--|----------|---|
| <p>Placing price of the
Unsubscribed Rights
Shares and IS Unsold
Rights Shares</p> | <p>:</p> | <p>The placing price of the Unsubscribed Rights Shares and IS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and IS Unsold Rights Shares during the process of placement.</p> |
| <p>Placees</p> | <p>:</p> | <p>The Unsubscribed Rights Shares and IS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).</p> <p style="margin-top: 20px;">Pursuant to the terms of the Placing Agreement, (i) the Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules after the Placing; and (ii) the Placing will not have any implications under the Takeovers Code and no shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.</p> |
| <p>Ranking of the
Unsubscribed Rights
Shares and IS Unsold
Rights Shares</p> | <p>:</p> | <p>The Unsubscribed Rights Shares and IS Unsold Rights Shares (when allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.</p> |
| <p>Conditions precedent of
the Placing Agreement</p> | <p>:</p> | <p>The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions precedent being fulfilled:</p> <ul style="list-style-type: none"> (i) the GEM Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM; |

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- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

In the event that the above condition precedents have not been fulfilled or waived (where applicable) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

As disclosed in the Letter, the Company will make arrangements, in accordance with Rule 10.31(1)(b) of the GEM Listing Rules, to dispose of the Unsubscribed Rights Shares and the IS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. Accordingly, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders on a pro-rata basis.

In addition, as disclosed in the Letter, the engagement between the Company and the Placing Agent for the Placing (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of the Placing Agreement for the Unsubscribed Rights Shares and the IS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

6. Assessment on the principal terms of the Rights Issue

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective), payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 22.73% to the closing price of HK\$0.022 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.05% to the average closing price of approximately HK\$0.021 per Share for the last five consecutive trading days as quoted on the Stock Exchange immediately prior to the Last Trading Day;
- (iii) a discount of approximately 19.05% to the closing price of approximately HK\$0.021 per Share for the last ten consecutive trading days as quoted on the Stock Exchange immediately prior to the Last Trading Day;
- (iv) a discount of approximately 10.53% to the theoretical ex-rights price of approximately HK\$0.019 per Share based on the Benchmarked Price of HK\$0.022;
- (v) the same as the audited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.017 as at 31 March 2021, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$24,375,000 as at 31 March 2021 and 1,440,000,000 Shares in issue as at the Latest Practicable Date; and
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 13.64%, represented by the theoretical diluted price of approximately HK\$0.020 per Share to the Benchmarked Price of approximately HK\$0.022 per Share.

As stated in the Letter, the Subscription Price and the subscription rate (i.e. three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date) were determined with reference to the amount of fund raising targeted by the Company from the Rights Issue, the market price of the Shares under the prevailing market conditions, current financial market conditions and the financial position of the Group.

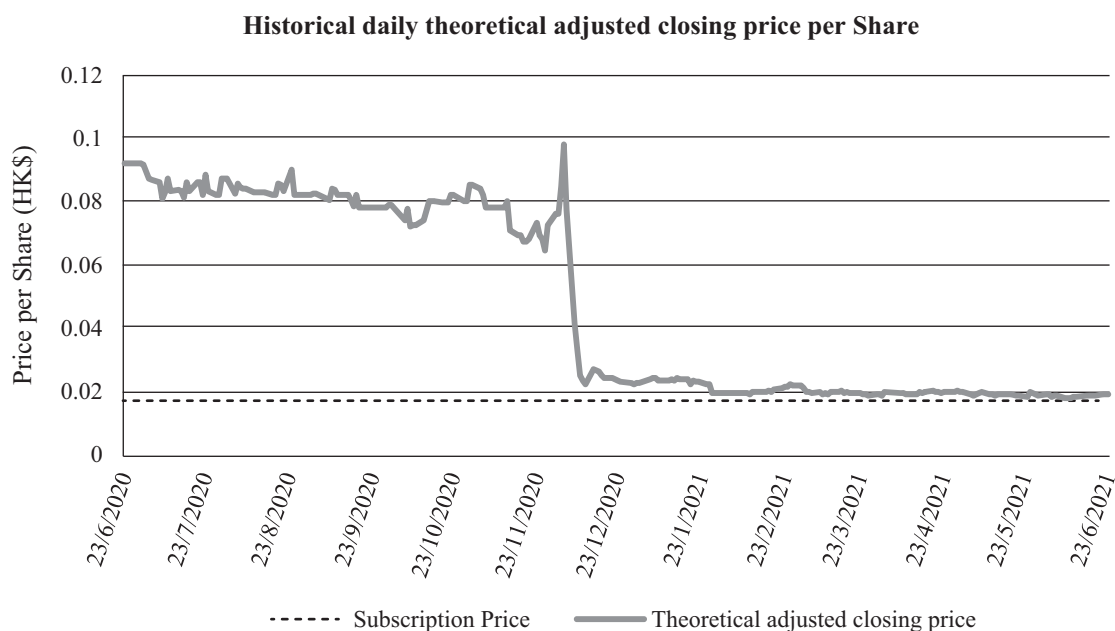
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6.1 Analysis of the Subscription Price

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical price performance of the Shares; (b) liquidity of the Shares; and (c) comparison with recent rights issue transactions, as follows:

(a) Historical Share price performance

Set out below is a chart showing the movement of the daily theoretical adjusted closing prices of the Share (as defined hereinafter) based on the closing price of the Share as quoted on the Stock Exchange during the period from 23 June 2020, being a period of approximately 12 months prior to and including the Last Trading Day (the “**Review Period**”), which is commonly used for analysis purpose to illustrate the general trend of the daily closing prices and the level of movement of the Shares; and compare with the Subscription Price. We consider the Review Period is representative and adequate to illustrate the price movements of the Shares to conduct a reasonable comparison between the daily theoretical adjusted closing prices of the Shares and the Subscription Price.



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Note: For the purpose of demonstrating the effect of the Rights Issue on the closing price per Share, the historical daily theoretical adjusted closing price per Share represents the theoretical ex-rights price per Share which is calculated based on the closing price of the Share as quoted on the Stock Exchange during the Review Period, the Subscription Price and the subscription rate of the Rights Issue.

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During the Review Period, the lowest theoretical adjusted closing price of the Share was HK\$0.018 recorded on 7, 8 and 9 June 2021 while the highest theoretical adjusted closing price of the Share was HK\$0.098 recorded on 3 December 2020. The average daily theoretical adjusted closing price was approximately HK\$0.048 per Share.

As shown in the above chart, we noted that during the period from June 2020 to November 2020, the daily theoretical adjusted closing price per Share fluctuated with a slightly downward trend, with the theoretical adjusted closing prices per Share reaching the lower end during the period of HK\$0.065 on 26 November 2020. Subsequently, the theoretical adjusted closing price per Share increased sharply, reaching the highest end of the theoretical adjusted closing price during the review period of HK\$0.098 on 3 December 2020. The Company has published several announcements during the said period, including but not limited to an announcement regarding the proposed removal of an executive director and notice of extraordinary general meeting on 27 November 2020. As advised by the Directors, they were not aware of any matters that which might have impact on the Share price saved for the aforesaid announcement.

The theoretical adjusted closing price then dropped drastically to HK\$0.022 on 11 December 2020. During the period, the Company issued several announcements including but not limited to the announcements on unusual price and trading volume movements on 7 and 8 December 2020. As advised by the Directors, they were not aware of any matters that which might have impact on the Share price saved for the aforesaid announcements. The daily theoretical adjusted closing price fluctuated since then with a slightly downward trend until HK\$0.019 on the Last Trading Day.

We noted that the Subscription Price of HK\$0.017 per Rights Share has been determined at a price moderately lower than the theoretical adjusted closing price per Share on the Last Trading Day and the Subscription Price is below all of the daily theoretical adjusted closing prices per Share throughout the Review Period. The Subscription Price represents (i) a discount of approximately 82.69% to the highest theoretical adjusted closing price; (ii) a discount of approximately 4.49% to the lowest theoretical adjusted closing price; and (iii) a discount of approximately 64.83% to the average daily theoretical adjusted closing price during the Review Period.

As shown in the analysis table sets out in the next paragraph headed “(c) Comparison with recent rights issue transactions” below, it is a common market practice for listed issuers in Hong Kong to set the subscription price of their rights issue at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of rights issue to existing shareholders. In this regard, while we noted that the Subscription Price represents significant discounts of approximately 82.69%, 4.49% and 64.83%, respectively, to the highest, lowest and average daily theoretical adjusted closing prices of the

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Shares during the Review Period, taking into account (i) the Group had been in a net loss position in recent years; (ii) the Subscription Price, which represents a discount of approximately 22.73% to the closing price per Share on the Last Trading Day, and a discount of approximately 10.53% to the theoretical ex-rights price per Share, show discounts that are within the ranges of those represented by the Rights Issue Comparables (as defined hereinafter) as discussed in further details in the next paragraph headed “(c) Comparison with recent rights issue transactions” below; (iii) the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue for encouraging Eligible Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company and participate in the future growth of the Company; and (iv) the Compensatory Arrangements, as discussed in the Letter and the paragraph headed “6.3 Compensatory Arrangements” below, will provide an additional channel of participation in the Rights Issue for the Eligible Shareholders and the Ineligible Shareholders, we are of the view that the Subscription Price is not only fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, but also in alignment with the market practice.

(b) Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month (Note 1)	Percentage of average daily trading volume to total number of Shares (Approximate %) (Note 2)
2020				
June (from the beginning of the Review Period)	312,000	5	62,400	0.01
July	2,676,000	21	127,429	0.01
August	2,112,000	22	96,000	0.01
September	2,760,000	22	125,455	0.01
October	3,648,000	18	202,667	0.02
November	1,152,816,000	21	7,415,429	0.62
December	1,152,816,000	22	52,400,727	4.37

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	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month (Note 1)	Percentage of average daily trading volume to total number of Shares (Approximate %) (Note 2)
2021				
January	241,536,000	20	12,076,800	0.84
February	109,500,000	18	6,083,333	0.42
March	168,120,000	23	7,309,565	0.51
April	206,916,000	19	10,890,316	0.76
May	104,064,000	20	5,203,200	0.36
June (up to the Last Trading Day)	35,316,000	16	2,207,250	0.15

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month or as at the Last Trading Day.

As illustrated in the table above, the average daily trading volume of Shares during the Review Period fluctuated significantly with a range of 62,400 Shares to 52,400,727 Shares, representing approximately 0.01% to approximately 4.37% of the total number of issued Shares as at the end of each respective month/period. We note that the trading volume is comparatively higher in December 2020, January 2021 and April 2021.

The Company announced several announcements during the period from December 2020 to January 2021, including but not limited to (i) the announcements on unusual price and trading volume movements on 7 and 8 December 2020; (ii) the announcement regarding the appointment of executive directors on 11 December 2020; (iii) the announcement on the resignation of an executive director and non-executive director on 18 December 2020; (iv) disclosable transaction announcement on the acquisition of 51% equity interest in the target company on 23 December 2020; and (v) announcement on resignation of an independent executive director on 11 January 2021. As stated in the announcement of unusual price and trading volume movements on 8 December 2020 and as confirmed by the Directors, save and except for the disposal of 367,740,000 Shares by Sure Wonder, a substantial shareholder of

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the Company, during the period from 23 November 2020 to 8 December 2020, the Directors are not aware of any reason for such fluctuations in the price and trading volume of the Shares or of any information which must be announced to avoid a false market in the Shares or of any inside information that needs to be disclosed under the Inside Information Provisions.

(c) Comparison with recent rights issue transactions

We have conducted a search of rights issue transactions announced by companies listed on the Stock Exchange, excluding the H-Share companies, during the six-month period from 23 December 2020 up to the Last Trading Day and have identified, based on such search criteria, 30 rights issues (the “**Rights Issue Comparable(s)**”) for comparison purpose. To the best of our endeavour, we believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues.

Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for recent market practice in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices and provide an insight to the reasonableness of the Subscription Price in respect of the Rights Issue.

We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/(Discount) of subscription price over/to the closing price on the Last the theoretical Trading Day ex-rights price			Underwriting Fully Commission underwritten (%) (Yes/No)	Maximum dilution Excess (Note 1) application (%) (Yes/No)
			(%)	(%)	(%)		
31 Dec 2020	Pacific Century Premium Developments Limited (432)	1 for 2	0.00	0.00	(0.40) (Note 2)	N/A No	33.33 Yes
6 Jan 2021	Sinolink Worldwide Holdings Limited (1168)	4 for 5	(42.86)	(31.37)	(20.09)	N/A No	44.44 Yes
20 Jan 2021	Roma Group Limited (8072)	3 for 1	(31.32)	(10.07)	(23.63)	2.5 Yes	75.00 Yes
25 Jan 2021	Beaver Group (Holding) Company Limited (8275)	3 for 2	(34.38)	(17.32)	(20.63)	N/A No	60.00 No
27 Jan 2021	Cornerstone Financial Holdings Limited (8112)	4 for 1	(21.11)	(5.33)	(22.57)	N/A Yes	80.00 Yes
27 Jan 2021	Esprit Holdings Limited (330)	1 for 2	(25.00)	(18.21)	(8.68)	1.625 Yes	33.33 Yes
5 Feb 2021	Bossini International Holdings Limited (592)	1 for 2	(23.40)	(16.86)	(8.47)	N/A No	33.33 Yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/(Discount) of subscription price over/to the closing price on			Underwriting Fully Commission underwritten (%) (Yes/No)	Maximum dilution Excess (Note 1) application (%) (Yes/No)
			the Last Trading Day (%)	the theoretical ex-rights price (%)	Theoretical dilution effect (%)		
16 Feb 2021	China LotSynergy Holdings Limited (1371)	2 for 1	(30.07)	(15.97)	(23.93)	N/A No	66.67 Yes
19 Feb 2021	Enterprise Development Holdings Limited (1808)	1 for 2	(49.15)	(39.09)	(16.38)	1.0 No	33.33 Yes
17 Mar 2021	Qingdai Holdings International Limited (499)	1 for 1	(18.80)	(10.30)	(9.40)	4.5 No	50.00 Yes
24 Mar 2021	Noble Engineering Group Holdings Limited (8445)	1 for 2	(33.80)	(25.30)	(11.90)	N/A No	33.33 No
26 Mar 2021	Kaisa Group Holdings Limited (1638)	1 for 7	(25.13)	(22.70)	(3.44)	2.5 Yes	12.50 Yes
29 Mar 2021	China Demeter Financial Investments Limited (8120)	3 for 1	(17.36)	(4.99)	(15.29)	0.0 Yes	75.00 No
8 Apr 2021	State Energy Group International Assets Holdings Limited (918)	3 for 1	(22.20)	(7.40)	(19.00)	1.0 Yes	75.00 No
9 Apr 2021	Golden Power Group Holdings Limited (3919)	1 for 2	(21.40)	(15.40)	(7.10)	7.07 Yes	33.33 Yes
12 Apr 2021	Merdeka Financial Group Limited (8163)	5 for 2	(21.05)	(6.83)	(8.54)	2.0 Yes	71.43 Yes
23 Apr 2021	PFC Device Inc. (8231)	1 for 2	(20.00)	(14.29)	(7.79)	N/A No	33.33 Yes
28 Apr 2021	Sandmartin International Holdings Limited (482)	1 for 2	(16.00)	(11.21)	(5.33)	N/A No	33.33 No
4 May 2021	China Investment Development Limited (204)	1 for 2	(10.31)	(6.98)	(3.56)	2.5 No	33.33 Yes
4 May 2021	Coolpad Group Limited (2369)	1 for 2	(41.10)	(31.70)	(14.50)	2.5 Yes	33.33 Yes
11 May 2021	Great Wall Belt & Road Holdings Limited (524)	1 for 4	(18.90)	(15.70)	(4.90)	N/A No	20.00 Yes
11 May 2021	China Best Group Holding Limited (370)	1 for 2	(45.21)	(37.89)	(15.93)	N/A No	33.33 No
13 May 2021	Ta Yang Group Holdings Limited (1991)	1 for 2	(22.22)	(16.02)	(7.39)	N/A No	33.33 Yes
18 May 2021	Champion Technology Holdings Limited (92)	3 for 1	8.70	2.04	0.00	2.5 Yes	75.00 Yes
20 May 2021	China Internet Investment Finance Holdings Limited (810)	1 for 2	(51.22)	(41.18)	(18.11)	2.5 Yes	33.33 Yes
1 Jun 2021	Vision Fame International Holding Limited (1315)	1 for 4	(60.78)	(55.36)	(11.81)	N/A No	20.00 No
7 Jun 2021	AL Group Limited (8360)	3 for 1	(27.03)	(8.47)	(20.27)	1.5 Yes	75.00 Yes
11 Jun 2021	Cool Link (Holdings) Limited (8491)	1 for 2	(39.30)	(30.90)	(13.20)	2.5 Yes	33.33 Yes
11 Jun 2021	Lai Sun Garment (International) Limited (191)	1 for 2	(65.00)	(55.40)	(21.70)	1.0 Yes	33.33 Yes
16 Jun 2021	China Environmental Energy Investment Limited (986)	1 for 1	(5.66)	(2.91)	(2.83)	2.5 No	50.00 No

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/(Discount) of subscription price over/to the closing price on the Last the theoretical				Underwriting Fully Commission underwritten (%) (Yes/No)	Maximum dilution Excess (Note 1) application (%) (Yes/No)
			Trading Day (%)	ex-rights price (%)	Theoretical dilution effect (%)			
	Maximum		8.70	2.04	0.00	7.07	80.00	
	Minimum		(65.00)	(55.40)	(23.93)	0.00	12.50	
	Average		(27.70)	(19.10)	(12.23)	2.35	45.40	
23 June 2021	The Company (8428)	3 for 2	(22.73)	(10.53)	(13.64)	3.0 No	60.0 No	

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

- (1) Maximum dilution effect of each rights issue is calculated as: (number of rights shares and (if any) bonus shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares and (if any) bonus shares to be issued under the basis of entitlement) x 100%. Taking the Company's case as an example, for a rights issue with basis of 3 Rights Shares for every 2 Existing Shares taken up, the maximum dilution effect is calculated as $(3/(3+2)) \times 100 = 60.0\%$.
- (2) The relevant announcement did not disclose the theoretical dilution effect. The theoretical dilution effect of this company was calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Gem Listing Rules for companies listed on GEM.

As set out in the table above, we noted that the subscription prices of the Rights Issue Comparables:

- (i) ranged from a discount of approximately 65.0% to a premium of approximately 8.7%, with an average discount of approximately 27.7% as compared to their respective closing prices per share on the last trading day. The discount of approximately 22.73% to the closing price per Share on the Last Trading Day as represented by the Subscription Price is within the aforesaid range of the Rights Issue Comparables and is slightly lower than the aforesaid average discount of the Rights Issue Comparables; and
- (ii) ranged from a discount of approximately 55.4% to a premium of approximately 2.04%, with an average discount of approximately 19.1% as compared to their respective theoretical ex-rights prices per share. The discount of the Subscription Price to the theoretical ex-rights prices per Share is approximately 10.53%, which is within the aforesaid range of the Rights Issue Comparables and is slightly lower than the aforesaid average discount of the Rights Issue Comparables

We further noted that the maximum dilution effect of approximately 60.0% in respect of the Rights Issue falls within the range of the maximum dilution effect of the Rights Issue Comparables, and is moderately higher than the corresponding average maximum dilution effect of approximately 45.4% represented by the Rights Issue Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account that (i) the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue for encouraging Eligible Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company and participate in the future growth of the Company; (ii) the discounts represented by the Subscription Price to the closing price per Share on the Last Trading Day and the theoretical ex-rights price per Share are within the corresponding ranges of discounts represented by the Rights Issue Comparables; (iii) the daily adjusted closing price of the Share during the Review Period demonstrated an overall declining trend as the Subscription Price was determined with reference to, amongst others, the market price of the Shares under the prevailing market conditions; (iv) the Rights Issue offers all the Eligible Shareholders an equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution; and (v) the Subscription Price was determined with reference to the amount of fund raising targeted by the Company from the Rights Issue, the market price of the Shares under the prevailing market conditions, current financial market conditions and the financial position of the Group and the reasons for the Rights Issue as discussed in the paragraph headed “2. Reasons for the proposed Rights Issue and the use of proceeds” above, we are of the view that the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6.2 *Non-underwritten basis*

As disclosed in the Letter, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares not taken up by the Eligible Shareholders or holders of nil-paid rights together with the IS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or IS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its provisional allotment under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms such that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Sure Wonder has given its intention to take up the Rights Shares to be provisionally allotted to it under the Rights Issue.

Although the Rights Issue is on a non-underwritten basis and there is no minimum amount to be raised which it is uncertain to raise sufficient funds to satisfy the funding needs, taking into account (i) as mentioned above, the placing obligation of the Placing Agent is more or less similar to an underwriter of the Rights Issue (except that Placing Agent is on best effort basis) and therefore the Placing under the Compensatory Arrangement in a certain extent would help to ensure sufficient funds to be raised; (ii) among the Rights Issue Comparables, it is noted that 16 out of 30 of the Rights Issue Comparables were conducted on a non-underwritten basis, and therefore it is not uncommon for rights issue to be proceed on a non-underwritten basis, we are of the view that the Rights Issue on a non-underwritten basis is fair and reasonable and in the interests of the Company and its Shareholders as a whole and are not aware of any unusual arrangement as compared to the Rights Issue Comparables. We therefore consider that such non-underwritten basis is consistent with normal market practice.

6.3 Compensatory Arrangements

As disclosed in the Letter, the Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the IS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. On 23 June 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the IS Unsold Rights Shares to independent placees on a best effort basis.

As disclosed in the Letter, the placing price of the Unsubscribed Rights Shares and IS Unsold Rights Shares (“**Placing Price**”) shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and IS Unsold Rights Shares during the process of placement. Having considered that the Placing Price shall be at least equal to the Subscription Price, which is not prejudicial to the interests of the Eligible Shareholders, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company.

As disclosed in the Letter, pursuant to the Placing Agreement, the Company shall pay to the Placing Agent a commission of 3% of the sum which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and IS Unsold Rights Shares that have been successfully placed by the Placing Agent. As advised by the Directors, the commission was determined after arm’s length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the placing commission was between nil and 7.1% for the Rights Issue Comparables, and the placing commission of 3% payable by the Company is within the market range, we consider that the placing commission under the Placing Agreement is in line with normal market terms.

7. Potential dilution effect of the Rights Issue

For illustration purposes, the following table set out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Shareholders other than Sure Wonder); (iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by the Eligible Shareholders); and (iv) immediately after completion of the Rights Issue (assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent):

Before the Share Consolidation becoming effective

					Immediately after completion of the Rights Issue			
							assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent	
As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Eligible Shareholders other than Sure Wonder)		assuming full acceptance by the Eligible Shareholders				
No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	
Sure Wonder	393,206,400	27.31	448,412,228 (Note)	29.99	983,016,000	27.31	983,016,000	27.31
The Placees	—	—	—	—	—	—	1,570,190,400	43.61
Other public Shareholders	<u>1,046,793,600</u>	<u>72.69</u>	<u>1,046,793,600</u>	<u>70.01</u>	<u>2,616,984,400</u>	<u>72.69</u>	<u>1,046,793,600</u>	<u>29.08</u>
Total	<u>1,440,000,000</u>	<u>100.0</u>	<u>1,495,205,828</u>	<u>100.0</u>	<u>3,600,000,000</u>	<u>100.0</u>	<u>3,600,000,000</u>	<u>100.0</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the Share Consolidation becoming effective

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Eligible Shareholders other than Sure Wonder)		Immediately after completion of the Rights Issue			
					assuming full acceptance by the Eligible Shareholders		assuming nil acceptance of the Rights Shares by the Eligible Shareholders other than Sure Wonder and all the Unsubscribed Rights Shares and IS Unsold Rights Shares having been fully placed by the Placing Agent	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Sure Wonder	39,320,640	27.31	44,841,222 (Note)	29.99	98,301,600	27.31	98,301,600	27.31
The Placees	—	—	—	—	—	—	157,019,040	43.61
Other public Shareholders	104,679,360	72.69	104,679,360	70.01	261,698,440	72.69	104,679,360	29.08
Total	144,000,000	100.0	149,520,582	100.0	360,000,000	100.0	360,000,000	100.0

Notes: As mentioned in the paragraph headed “Non-underwritten basis” in the Letter, the application of a Shareholder will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules

All Eligible Shareholders are entitled to subscribe for the Rights Shares. For those Eligible Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Eligible Shareholders who do not accept the Rights Issue entitlements, subject to the then prevailing market conditions, can consider selling their nil-paid Rights Shares in the market. However, those Eligible Shareholders who do not take up the Rights Shares to which they are entitled and the Ineligible Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 43.61%.

We are aware of the cumulative potential dilution effect as a result of the Rights Issues. However, we consider that the foregoing should be balanced against, among others, the following factors:

- (i) the intended use of proceeds from the Rights Issue will allow the Group to expand its food and beverage business;
- (ii) the positive financial effect as a result of the Rights Issue as detailed in the paragraph headed “8. Possible financial effects of the Rights Issue” below;
- (iii) the inherent dilutive nature of rights issue is a general market practice and the maximum dilution of 60.00% under the Rights Issue is within the range of maximum dilution of the Rights Issue Comparables from 12.5% to 80.0%;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned as detailed in the sub-paragraph headed “6.1 Analysis of the Subscription Price” above;
- (v) the Independent Shareholders are offered an opportunity to attend and vote for or against the relevant resolution in relation to the Rights Issue at the EGM;
- (vi) the shareholding interests of the Eligible Shareholders who take up their provisional allotments of the proposed Rights Issues in full will not be diluted;
- (vii) the Eligible Shareholders who do not wish to take up the Rights Shares have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits;
- (viii) the Rights Issue offers the Eligible Shareholders an opportunity to subscribe for their Rights Shares for the purpose of maintaining their respective pro-rata shareholding interests in the Company at a discount as compared to the historical and prevailing market price of the Shares; and
- (ix) those Eligible Shareholders who take up their assured entitlements in full under the Rights Issue will be able to maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue.

Based on the foregoing, we consider that the Rights Issue is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

8. Possible financial effects of the Rights Issue

As disclosed in the Letter, (i) the Net Proceeds are estimated to be approximately HK\$34.51 million (assuming full acceptance by the Eligible Shareholders), which shall be applied as to approximately HK\$30.91 million for expansion of existing food and beverage business and approximately HK\$3.60 million for general working capital of the Group; and (ii) the gross proceeds of approximately HK\$0.94 million (assuming nil acceptance by the Eligible Shareholders other than Sure Wonder), which shall be applied for the Group’s general working capital. Immediately upon completion of the Rights Issue, it is expected that the cash and cash equivalents and net asset value of the Group will be increased with the amount of net proceeds therefrom and it is also expected that there would be significant improvement in the net assets value of the Group after the Rights Issue.

With reference to the unaudited pro forma financial information of the Group as set out in “Appendix II — Unaudited Pro Forma Financial Information of the Group” to the Circular, the audited consolidated net tangible assets of the Group as at 31 March 2021 amounted to approximately HK\$24.4 million. The unaudited pro forma adjusted consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

March 2021, based on maximum number of 2,160,000,000 Rights Shares (or 216,000,000 Rights Shares after the Share Consolidation becoming effective), will be approximately HK\$58.9 million.

In view of the above, the Directors consider, and we concur that the Rights Issue can provide additional liquidity to and enhance the overall financial position, as well as working capital of the Company.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the opinion that the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Erica Law
Director

Ms. Erica Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 12 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

Details of the audited financial information of the Group for each of the years ended 31 March 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 March 2019, 2020 and 2021 respectively which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.cbk.com.hk):

- (i) the annual report of the Company for the year ended 31 March 2019 published on 28 June 2019 (pages 79 to 159) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628309.pdf>

- (ii) the annual report of the Company for the year ended 31 March 2020 published on 30 June 2020 (pages 77 to 167) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063001678.pdf>

- (iii) the annual report of the Company for the year ended 31 March 2021 published on 17 June 2021 (pages 78 to 175) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0617/2021061700237.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness.

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 31 May 2021, being the latest practicable date on which such information was available to the Company, the Group had current and non-current lease liabilities amounting to HK\$4.0 million and HK\$9.6 million.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, other recognized lease liabilities or lease commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business as of 31 May 2021.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group operates one restaurant under the brand “Fun Fun Fun” and one Korean restaurant under the brand “Aidan Cafe”, both of which are located at Tai Wai.

Based on the information currently available, for the period from 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up) to the date of 30 June 2021, it is observed that the monthly revenue generated from the two restaurants of the Group were stable while (i) the operating results of “Aidan Cafe” restaurant recorded a slight profit and (ii) the operating results of “FUN FUN FUN” restaurant recorded a slight loss. In view of (i) the relaxation on restriction on operation of restaurants by the Hong Kong government (further details of which are set out below); (ii) the roll-out of COVID-19 vaccination program in Hong Kong; and (iii) the launch of electronic consumption vouchers with a total value of HK\$5,000 to each eligible person in the 2021–2022 Budget Proposal by the Financial Secretary, the Directors believe that these measures would bring positive impact on the financial performance of the Group’s existing restaurants.

As mentioned in the section headed “Reasons for the Rights Issue and use of proceeds” under the “Letter from the Board” in this circular, the Group plans to operate the Food Court and two restaurants. Notwithstanding the social distancing measures and restriction related to operation of restaurants adopted by the Hong Kong government to curb the Pandemic in the last year, the management of the Company noticed that there is significant growth in the takeaway market. The establishment and operation of the Food Court is expected to provide the Group with additional flexibility to generate more revenue by offering takeaways service and thus seize the opportunities on the takeaway market in order to enhance the revenue stream of the Group in light of the new dining lifestyle as a result of the Pandemic.

Furthermore, since February 2021, the Hong Kong government has gradually relaxed the restrictions on operation of restaurants in Hong Kong, including (i) maximum number of people allowed to be seated together at one table at catering business premises was increased from two to four; (ii) dine-in services at restaurants was extended to 10:00 p.m.; and the launch of the “vaccine bubbles” for restaurants which further relaxed dining restrictions based

upon the number of staff that have been vaccinated and intermittency of testing. Hong Kong government also launched the COVID-19 vaccination program. As such, the Directors consider it is prudent and competitive to resume and expand the Group's food and beverage business.

Reference is made to the announcement of the Company dated 23 December 2020 (the “**Announcement**”) in relation to the acquisition (the “**Acquisition**”) of 漳州金田食品有限公司 (Zhangzhou Jintian Food Co., Limited*) (“**Jintian Food**”). Jintian Food is principally engaged in frozen aquatic products processing, surimi and aquatic product dry and preserved processing and sales and trading of aquatic products. The Acquisition was completed in May 2021 and a profit guarantee, that the audited net profit (after deduction of extraordinary items) of Jintian Food for the year ended 31 December 2020 will be no less than RMB4,000,000, was met. As such, the Directors believe that the Acquisition will broaden the Group's source of income and improve its profitability. For more details, please refer to the Announcement.

The following is the text of a report received from the Company's auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors
CBK Holdings Limited
Room 1501, 15/F.,
Vanta Industrial Centre,
21–33 Tai Lin Pai Road,
Kwai Chung, New Territories,
HONG KONG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

To the Board of Directors of CBK Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CBK Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net assets of the Group attributable to owners of the Company as at 31 March 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II to the circular issued by the Company (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three rights share for every two existing shares held on the record date at the subscription price of HK\$0.017 per rights share (the “**Rights Issue**”) on the Group's financial position as at 31 March 2021 as if the Rights Issue had taken place as at 31 March 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2021.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statement, and Other Assurance and Related Services Engagement issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Ng Ka Wah

Practising Certificate Number: P06417

Hong Kong, 7 July 2021

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 March 2021.

The unaudited pro forma net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at the date to which it is made up or at any future date.

The unaudited pro forma net tangible assets is prepared based on the audited condensed consolidated statement of financial position of the Group attributable as at 31 March 2021, and is adjusted for the effect of the Rights Issue described below:

			Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 after taking into account of the Share Rights Issue but prior to the completion of the Share Consolidation per Share	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 after taking into account of the Share Consolidation but prior to the completion of the Share Rights Issue per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 immediately after completion of the Share Consolidation and Rights Issue per Share
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 immediately after completion of the Rights Issue	Rights Issue per Share	Share	Share	Share
HK\$'000	HK\$'000	HK\$'000	HK\$	HK\$	HK\$	HK\$
(Note 1)	(Note 2)		(Note 3)	(Note 4)	(Note 5)	(Note 6)
Base on 2,160,000,000 Rights Shares to be issued at subscription price of HK\$0.017 per Rights Share						
24,375	34,510	58,885	0.017	0.016	0.169	0.164

Notes:

- (1) The audited consolidated net tangible assets of approximately HK\$24,375,000 is determined based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2021.
- (2) The estimated net proceeds from the Rights Issue of the number of Rights Shares of approximately HK\$34,510,000 are based on 2,160,000,000 Rights Shares to be issued (in the proportion of three (3) rights share for every two (2) existing shares) at the subscription price of HK\$0.017 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,210,000, assuming that the Rights Issue had been completed on 31 March 2021.

- (3) The calculation of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 per Share is determined based on the audited consolidated net tangible assets of the Group attributable to owners of the Company of HK\$24,375,000 divided by the number of shares in issue on or before the Record Date of 1,440,000,000 shares as at 31 March 2021.
- (4) The unaudited consolidated net tangible assets per share attributable to owners of the Company as at 31 March 2021 after taking into account of the Rights Issue, while the Share Consolidation is not completed, is calculated based on 3,600,000,000 shares which comprise 1,440,000,000 shares as at 31 March 2021 and 2,160,000,000 Rights Shares expected to be issued upon the completion of the Rights Issue as at 31 March 2021.
- (5) The unaudited consolidated net tangible assets per share attributable to owners of the Company as at 31 March 2021 after taking into account of the Share Consolidation is HK\$0.169, which is calculated based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2021 of approximately HK\$24,375,000 and 144,000,000 consolidated shares (involves the consolidation of every ten (10) Existing Shares into one (1) consolidated share) (the “**Consolidated Shares**”) which is calculated on 1,440,000,000 shares in issue as at 31 March 2021 subdivided by ten (10).
- (6) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue and Share Consolidation is calculated based on 360,000,000 shares which comprise 144,000,000 Consolidated Shares and 216,000,000 Rights Shares expected to be issued on the completion of the Rights Issue as at 31 March 2021.
- (7) No adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2021.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately following the completion of the Share Consolidation and the Increase in Authorised Share Capital but before the completion of the Rights Issue; and (c) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Eligible Shareholders) are as follows:

(a) As at the Latest Practicable Date

Authorised: HK\$

<u>2,000,000,000</u> Existing Shares of HK\$0.01 each	<u>20,000,000</u>
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Issued and fully paid:

<u>1,440,000,000</u> Existing Shares of HK\$0.01 each	<u>14,400,000</u>
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(b) Immediately following the Share Consolidation and the Increase in Authorised Share Capital becoming effective but before the completion of the Rights Issue

Authorised: HK\$

<u>1,000,000,000</u> Consolidated Shares of HK\$0.1 each	<u>100,000,000</u>
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Issued and fully paid:

<u>144,000,000</u> Consolidated Shares of HK\$0.1 each	<u>14,400,000</u>
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(c) Immediately following completion of the Rights Issue***Assuming the Share Consolidation is not approved***

Authorised: HK\$

<u>10,000,000,000</u> Existing Shares of HK\$0.01 each	<u>100,000,000</u>
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Issued and fully paid:

<u>3,600,000,000</u> Existing Shares of HK\$0.01 each	<u>36,000,000</u>
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Assuming the Share Consolidation becoming effective

Authorised: HK\$

<u>1,000,000,000</u> Consolidated Shares of HK\$0.1 each	<u>100,000,000</u>
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Issued and fully paid:

<u>360,000,000</u> Consolidated Shares of HK\$0.1 each	<u>36,000,000</u>
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All of the Rights Shares to be issued will rank *pari passu* in all respects with each other. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

As at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, 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: (a) to be notified to the Company and the Stock Exchange 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:

Long positions in the Shares and the underlying Shares

Name	Capacity	Number of Shares held/ interested of the Company	Approximate percentage of shareholding
Mr. Chan Lap Ping (<i>Note</i>)	Family interest	7,077,715	1.8%

Note: Mr. Chan Lap Ping, an executive Director of the Company, 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 the Latest Practicable Date, 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.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as the Directors are aware of, 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:

Long positions in the Shares or underlying Shares

Name	Capacity	Number of Shares held/ interested of the Company	Approximate percentage of shareholding
Sure Wonder (<i>Note</i>)	Beneficial owner	393,206,400	27.31%

Note: Sure Wonder, which holds 393,206,400 Shares, is owned as to 83.4% by Ms. Wong Wai Fong (“**Ms. Wong**”), 9.3% by Mr. Kwok Yiu Chung, 5.5% by Mr. Hui Chung Wah and 1.8% by Ms. Yang. As Ms. Wong is entitled to exercise more than one-third of the voting power at general meetings of Sure Wonder, Ms. Wong is taken to be interested in the 393,206,400 Shares in which Sure Wonder is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons who 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 or who, are directly or indirectly interested in 5% or more of the issued voting Shares.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. DIRECTOR'S INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice which are contained in this prospectus (the “**Experts**”):

Name	Qualification
HLB Hodgson Impey Cheng Limited	certified public accountants
The Independent Financial Adviser	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, (i) each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of their letters and references to its name and/or its advice in the form and context in which they respectively appear; (ii) each of the above Experts was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (iii) each of the above Experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up).

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during two years preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the placing agreement dated 18 November 2019 entered into between the Company and a placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best effort basis, a maximum of 240,000,000 new Shares to not less than six placees at a price of HK\$0.255 per Share under general mandate, which was lapsed on 6 December 2019;
- (b) the equity transfer agreement dated 23 December 2020 entered into between Smart Sino Enterprises Limited, a direct wholly-owned subsidiary of the Company and Liang Yu Lin, pursuant to which Smart Sino Enterprises Limited conditionally agreed to acquire, and Liang Yu Lin conditionally agreed to sell, 51% of the total equity interest in 漳州金田食品有限公司 (Zhangzhou Jintian Food Co., Limited*) for a consideration of HK\$10,000,000, which was completed on 18 May 2021;
- (c) the placing agreement dated 5 January 2021 entered into between the Company and a placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best effort basis, a maximum of 240,000,000 new Shares to not less than six placees at a price of HK\$0.029 per Share under general mandate, which was completed on 27 January 2021;
- (d) the tenancy agreement dated 30 March 2021 entered into between Smart Sino Enterprises Limited (an indirectly wholly-owned subsidiary of the Group) as tenant and D&I Development Limited as landlord in respect of the lease of Unit 3205, 32/F. of West Tower, Shuk Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong (the “**Office Premises**”) for a term of two years commencing from 1 April 2021 to 31 March 2023 (both days inclusive) with an option to renew for a further one year for the Office Premises; and
- (e) the Placing Agreement.

10. CORPORATE INFORMATION**Board of Directors***Executive Directors*

Mr. Chow Yik (*Chairman*)
 Mr. Chan Lap Ping
 Mr. Tsui Wing Tak

Independent non-executive Directors

Mr. Chan Hoi Kuen Matthew
 Mr. Law Yui Lun
 Mr. Lu Jun Bo
 Ms. Wong Syndia D

Audit Committee

Mr. Law Yui Lun (*Chairman*)
 Mr. Chan Hoi Kuen Matthew
 Ms. Wong Syndia D

Remuneration Committee

Ms. Wong Syndia D (*Chairman*)
 Mr. Chow Yik
 Mr. Chan Hoi Kuen Matthew
 Mr. Law Yui Lun

Nomination Committee

Mr. Chan Hoi Kuen Matthew (*Chairman*)
 Ms. Wong Syndia D
 Mr. Chow Yik
 Mr. Law Yui Lun

Legal Compliance Committee

Mr. Chow Yik (*Chairman*)
 Mr. Chan Hoi Kuen Matthew
 Ms. Wong Syndia D
 Mr. Law Yui Lun

Registered office

Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman, KY1-1111
 Cayman Islands

**Head office and principal
 place of business in
 Hong Kong**

Room 1501, 15/F
 Vanta Industrial Centre
 21–33 Tai Lin Pai Road
 Kwai Chung
 New Territories
 Hong Kong

Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Joint Company Secretaries	Mr. Chan Chiu Hung Alex Mr. Chan Yu Chi
Compliance officer	Mr. Chow Yik
Authorised representatives	Mr. Chow Yik Mr. Chan Yu Chi
Business address of Directors, senior management and authorised representatives	Room 1501, 15/F Vanta Industrial Centre 21–33 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Principal bankers	Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central Hong Kong DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Hong Kong

11. PARTIES INVOLVED IN THE RIGHTS ISSUE

The Company	CBK Holdings Limited Room 1501, 15/F Vanta Industrial Centre 21–33 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
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Legal adviser to the Company	Robertsons 57th Floor, The Center, 99 Queen's Road Central Hong Kong
Financial adviser to the Company	Amasse Capital Limited Room 1201, 12th Floor Prosperous Building 48–52 Des Voeux Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Messis Capital Limited Room 1606, 16/F, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Auditor and reporting accountant	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong
Placing Agent	Grand China Securities Limited Room 503, 5/F, Loke Yew Building 50–52 Queen's Road Central Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chow Yik, aged 40, is the chairman of Board, an executive director, the chairman of the legal compliance committee, a member of the remuneration committee and a member of the nomination committee. He obtained a bachelor's degree in Engineering, majoring in Electronic and Communication Engineering from the City University of Hong Kong and is currently studying the Master of Business Administration programme ("EMBA") at the School of Economics and Management of Tsinghua University.

Mr. Chan Lap Ping, aged 53, is an executive director. Mr. Chan joined our Group as general manager in January 2004. He is primarily responsible for supervising the day-to-day operations of our restaurants. Mr. Chan has over 20 years of experience in restaurant operations in Hong Kong, of which he worked as a manager of various restaurants responsible for managing day-to-day operation of restaurants.

Mr. Tsui Wing Tak, aged 52, was appointed as an executive director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. He holds a bachelor's degree in Economics from Macquarie University in Australia. Mr. Tsui has over 25 years of extensive experience in corporate finance and accounting.

Independent non-executive Directors

Mr. Chan Hoi Kuen Matthew, aged 49, was appointed as an independent non-executive director and the chairman of the nomination committee and a member of the legal compliance committee, the remuneration committee and the audit committee of our Group on 20 January 2017. Mr. Chan has over 10 years of corporate banking experience in Hong Kong.

Ms. Wong Syndia D, aged 37, was appointed as an independent non-executive director, the chairman of the remuneration committee, a member of the legal compliance committee, a member of the audit committee and a member of the nomination committee. She was graduated from Edinburgh Napier University, United Kingdom with a bachelor's degree in Communication, Advertising and Public Relations. She has over 10 years of experience in corporate finance. Ms. Syndia Wong is currently an investor relations manager of Silver Base Group Holdings Limited (stock code: 886), a company listed on Main Board of the Stock Exchange, which principally engaged in the distribution of a number of Chinese and overseas high-end liquor products, with baijiu as the most prominent items together with high quality wine and whiskey products from around the world; the establishment of an international sales network which covers different regions of China as well as various countries in Europe and Asia by means of a self-operated online sales platform "Wine Kingdom", which carries a host of diverse wine and liquor products; the development of the overseas market in the sales of various brands of Chinese cigarettes.

Mr. Law Yui Lun, aged 59, was appointed as an independent non-executive director and the chairman of the audit committee, a member of the legal compliance committee, a member of the remuneration committee and a member of the nomination committee of our Company on 20 January 2017. Mr. Law has over 20 years of experience in the accounting, corporate taxation and financial advisory. Mr. Law has been the sole proprietor of Y.L. Law and Company, a company which provides consultancy and company secretarial services in Hong Kong since June 1999.

Mr. Lu Jun Bo, aged 36, has over 10 years of experience in the financial investment and management advisory industry in the PRC. He is currently the chairman and managing director of Guiyang Rui Shu Investment Management Company Limited (貴陽瑞樹投資管理有限公司).

Senior management*Joint company secretaries*

Mr. Chan Yu Chi, aged 62, has been the Chief Financial Officer since he joined the Group in January 2013. He is also a member of the legal compliance committee of the Group. He is principally responsible for overseeing the Group's overall financial accounting and reporting as well as corporate governance matters. Mr. Chan has over 20 years of experience in the auditing and accounting profession.

Mr. Chan graduated from the Open University of Hong Kong (formerly known as the Open Learning Institute of Hong Kong) with three respective degrees. He obtained a bachelor's and a master's degree in business administration in December 1995 and December 2001, respectively. He also obtained a master's degree of Electronic Commerce in December 2007. Mr. Chan has been admitted as a certified public accountant of HKICPA (formerly known as the Hong Kong Society of Accountants) since January 1999. He has further become a member of the Association of Chartered Certified Accountants (ACCA) since September 1999 and has been its fellow since September 2004.

Mr. Chan was awarded the Certificate in Personnel Management by the School of Continuing Education of Hong Kong Baptist University. Mr. Chan obtained the 5-S Lead Auditor (Green Belt) Certificate from HK5-S Association in December 2008. He also obtained the ERS 5S Management Certificate from Hong Kong Environmental Resource and Safety Institute and the Basic Food Hygiene Certificate for Food Hygiene Managers from Hong Kong Christian Service Kwun Tong Vocational Training Council in April and October 2009, respectively.

On 31 March 2021, Mr. Chan was appointed as the company secretary of Palace Banquet Holdings Limited (stock code: 1703), a company listed on the Main Board of the Stock Exchange and is principally engaged in the operation of Chinese restaurants in Hong Kong.

Mr. Chan Chiu Hung Alex, aged 55, was appointed as the joint company secretary. He has over 18 years of experience in managing companies listed in Hong Kong or overseas. He obtained his bachelor of business administration (honours) degree in finance from the Hong Kong Baptist University in 1990, and an advance diploma in specialist taxation from the Hong Kong Institute of Certified Public Accountants in 2012. Mr. Chan is currently a fellow member of The Chartered Governance Institute, a fellow member of the Hong Kong Institute of Chartered Secretaries, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Compliance officer

Mr. Chow Yik is the compliance officer of the Company. Mr. Chow Yik's biography is set out in the subsection headed "Executive Directors" above.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised of, namely Mr. Law Yui Lun (the Chairman of the Audit Committee), Mr. Chan Hoi Kuen Matthew and Ms. Wong Syndia D. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

14. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Eligible Shareholders and placing all Unsubscribed Rights Shares and the IS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.21 million, which are payable by the Company.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Room 1501, 15/F, Vanta Industrial Centre, 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 10 to 35 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 36 of this circular;
- (d) the letter from the Independent Financial Advisor, the text of which is set out on pages 37 to 63 of this circular;
- (e) the annual reports of the Company for the three years ended 31 March 2019 to 2021;
- (f) the accountant’s report on the unaudited pro forma financial information of the Group as set out in Appendix II of this circular;
- (g) the material contracts referred to in the paragraph headed “9. Material Contracts” of this appendix;
- (h) the written consent from the Experts referred to in the paragraph headed “8. Experts and consents” of this appendix; and

- (i) this circular.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) The English text of this prospectus shall prevail over the Chinese text in case of any inconsistency.

NOTICE OF EGM

CBK Holdings Limited

國茂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8428)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of CBK Holdings Limited (the “**Company**”) will be held at Room 1501, 15/F, Vanta Industrial Centre, 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Friday, 23 July 2021 at 11:00 a.m. (or immediately after the conclusion of the AGM held at 10:00 a.m. on the same day) to consider and, if thought fit, approve, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon: (i) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue; and (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and GEM Listing Rules to effect the Share Consolidation, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the Stock Exchange is open for dealings:
 - (i) every ten (10) issued and unissued ordinary shares of par value of HK\$0.01 (the “**Existing Shares**”) in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$0.10 each (the “**Consolidated Shares**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”) so that following the Share Consolidation the authorised share capital of the Company will be: (i) in case ordinary resolution numbered 2 is passed, changed from HK\$20,000,000 divided into 2,000,000,000 Existing Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.10 each; or (ii) in case ordinary resolution numbered 2 is not passed, changed from HK\$20,000,000 divided into 2,000,000,000 Existing Shares of par value of HK\$0.01 each to HK\$20,000,000 divided into 200,000,000 Consolidated Shares of par value of HK\$0.10 each;
 - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors of the Company (the “**Director(s)**”) may think fit; and

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- (iii) the Directors be and are hereby authorised generally to approve, sign and execute such documents (including under common seal of the Company, where applicable) and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

2. “**THAT:**

- (i) the authorised share capital of the Company be and is hereby increased from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$100,000,000 divided into 10,000,000,000 Existing Shares so that following the Increase in Authorised Share Capital (as defined below), the authorised share capital of the Company will be changed from HK\$20,000,000 divided into 2,000,000,000 Existing Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Existing Shares of par value of HK\$0.01 each (the “**Increase in Authorised Share Capital**”);
- (ii) the Directors be and are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds (including under common seal of the Company, where applicable) as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

3. “**THAT:**

- (i) subject to and conditional upon the passing of the resolutions numbered 2, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (ii) the allotment and issue of 2,160,000,000 new Existing Shares (or 216,000,000 new Consolidated Shares after the Share Consolidation becoming effective) (assuming no further issue and repurchase of shares of the Company up to the Record Date (as defined below)) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.017 per Rights Share (or HK\$0.17 per Rights Share after the Share Consolidation becoming effective) (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every two (2) Existing Shares (or Consolidated Shares (as the case maybe)) held by the Shareholders (“**Eligible Shareholders**”) whose names appeared on the register of members of the Company on 5 August 2021, or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the

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relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (“**Ineligible Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;

- (iii) the placing agreement dated 23 June 2021 (the “**Placing Agreement**”) and entered into between the Company and Grand China Securities Limited, in relation to the placing of the Rights Shares not subscribed by the Eligible Shareholders or holders of nil-paid rights and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Ineligible Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (iv) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Ineligible Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (v) any Director be and is hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

For and on behalf of the Board
CBK Holdings Limited
Chow Yik

Chairman and Executive Director

Hong Kong, 7 July 2021

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Room 1501, 15/F
Vanta Industrial Centre
21–33 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

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Notes:

- (i) Any member of the Company (the “**Member**”) entitled to attend and vote at the Meeting or its adjourned meeting (as the case may be) is entitled to appoint one or more proxies (if such member is the holder of two or more shares in the Company) to attend and, on a poll, vote on his/her/its behalf subject to the provisions of the articles of association of the Company. A proxy need not be a Member but must be present in person at the Meeting to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (ii) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the Meeting or its adjourned meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (iii) A form of proxy for use at the Meeting or its adjourned meeting is enclosed.
- (iv) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or its adjourned meeting. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the Meeting or its adjourned meeting and in such event, the form of proxy shall be deemed to be revoked.
- (v) For determining Members’ entitlement to attend and vote at the Meeting, the register of Members will be closed from Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the forthcoming Meeting, all transfer documents accompanied by the relevant share certificate must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 16 July 2021.
- (vi) The voting at the meeting or its adjourned meeting will be taken by poll.

As at the date of this notice, the Directors are:

Executive Directors

Mr. Chow Yik (*Chairman*)
Mr. Chan Lap Ping
Mr. Tsui Wing Tak

Independent Non-executive Directors

Mr. Chan Hoi Kuen Matthew
Mr. Law Yui Lun
Mr. Lu Jun Bo
Ms. Wong Syndia D

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This notice, for which the Directors 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 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 notice 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 notice misleading.

This notice will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of Company at www.cbk.com.hk.