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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in CBK Holdings Limited, you should at once hand this circular together with the accompanying form of proxy 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 appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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## CBK Holdings Limited

國茂控股有限公司

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

**(Stock Code: 8428)**

**(i) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) SHARE  
HELD ON THE RECORD DATE;  
(ii) PROPOSED CHANGE IN BOARD LOT SIZE;  
(iii) RE-ELECTION OF DIRECTOR  
AND  
(iv) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Advisor



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

A letter from the Board is set out on pages 10 to 34 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 35 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 36 to 64 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from 8 May 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from 19 May 2023 to 29 May 2023 (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 19 May 2023 to 29 May 2023 (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.

The notice convening the EGM to be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong, on 3 May 2023, at 11:00 a.m. is set out on EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, 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 no less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) should you so wish.

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 Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS 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.

14 April 2023

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## CHARACTERISTICS OF GEM

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

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

<b>Expected Timetable</b>	<b>Date 2023</b>
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.....	4:00 p.m. on Tuesday, 25 April
Closure of the register of members of the Company for attending the EGM (both days inclusive) .....	Wednesday, 26 April to Wednesday, 3 May
Latest time for lodging forms of proxy for the purpose of the EGM .....	11:00 a.m. on Monday, 1 May
Record date for determining attendance and voting at the EGM .....	Wednesday, 3 May
Expected date and time of the EGM .....	11:00 a.m. on Wednesday, 3 May
Announcement of the poll result of the EGM .....	Wednesday, 3 May
Register of members of the Company re-opens .....	Thursday, 4 May
Last day of dealing in the Shares on a cum-rights basis.....	Friday, 5 May
First day of dealing in the Shares on an ex-rights basis .....	Monday, 8 May
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue .....	4:00 p.m. on Tuesday, 9 May
Closure of the register of members of the Company for the Rights Issue (both days inclusive) .....	Wednesday, 10 May to Tuesday, 16 May
Record Date for determining entitlements to the Rights Issue.....	Tuesday, 16 May
Register of members of the Company re-opens.....	Wednesday, 17 May

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## EXPECTED TIMETABLE

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Expected Timetable	Date 2023
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only) . . . . .	Wednesday, 17 May
First day of dealing in nil-paid Rights Shares (in the board lot size of 10,000 Shares) . . . . .	Friday, 19 May
Latest time for splitting of the PAL . . . . .	4:00 p.m. on Tuesday, 23 May
Last day of dealing in nil-paid Rights Shares (in the board lot size of 10,000 Shares). . . . .	Monday, 29 May
Latest Time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangement . . . . .	4:00 p.m. on Thursday, 1 June
Latest Time for Acceptance of and payment for the Rights Shares. . . . .	4:00 p.m. on Thursday, 1 June
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements . . . . .	Monday, 5 June
Commencement of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent. . . . .	Tuesday, 6 June
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Thursday, 8 June
Latest Time for Termination . . . . .	Friday, 9 June
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and NQS Unsold Rights Share under the Compensatory Arrangements) . . . . .	Tuesday, 13 June
Despatch of refund cheques, if any, if the Rights Issue is terminated, on or before. . . . .	Wednesday, 14 June
Despatch of share certificates of fully-paid Rights Shares . . . . .	Wednesday, 14 June

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## EXPECTED TIMETABLE

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Expected Timetable	Date 2023
Expected first day of dealings in fully-paid Rights Shares. . . . .	Thursday, 15 June
Effective date of the new board lot size (in the board lot size of 10,000 Shares) . . . . .	9:00 a.m. on Thursday, 15 June
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares . . . . .	9:00 a.m. on Thursday, 15 June
Payment of Net Gain to relevant No Action Shareholders (if any). . . . .	Friday, 30 June
Designated broker ceases to stand in the market to provide matching services for odd lots of the Shares . . . . .	4:00 p.m. on Friday, 14 July

All time and dates in this circular are references to Hong Kong local time and dates.

Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any further changes to the expected timetable for the Rights Issue will be announced by the Company as and when appropriate.

### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 1 June 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 1 June 2023. Instead, the latest time for 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 in Hong Kong 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 does not take place at or before 4:00 p.m. on 1 June 2023, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“Announcement”	the announcement of the Company dated 6 March 2023 in relation to, among other things, the Rights Issue and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the Board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares per board lot to 10,000 Shares per board lot
“Company”	CBK Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued share are listed on Stock Exchange (stock code: 8428)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Rights Issue and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 transaction contemplated thereunder
“Independent Financial Adviser”	Kingsway Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	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



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## DEFINITIONS

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“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)
“Last Trading Day”	6 March 2023 being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Lodging Time”	4:00 p.m. on 9 May 2023 or such other date as the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	4 April 2023
“Latest Time for Acceptance”	4:00 p.m. on 1 June 2023 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	9 June 2023 or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements
“Net Proceeds”	the net proceeds of the Rights Issue, after deducting all relevant expenses
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Non-Qualifying Shareholders (if any)

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## DEFINITIONS

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“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such 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
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS 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”	Excalibur Global Financial Group Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, being the placing agent appointed by the Company for the Placing
“Placing Agreement”	the placing agreement dated 6 March 2023 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares

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## DEFINITIONS

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“Placing Period”	a period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be 6 June 2023, and ending at the 4:00 p.m. on 8 June 2023 or such later date as the Company and the Placing Agent may agree in writing
“Placing Shares”	all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and PAL
“Prospectus Posting Date”	the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	16 May 2023 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of five (5) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents

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## DEFINITIONS

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“Rights Share(s)”	new Shares proposed to be allotted and issued pursuant to the Rights Issue, being (i) up to 77,757,995 Rights Share, (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) up to 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 20 January 2017
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.265 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

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LETTER FROM THE BOARD

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**CBK Holdings Limited**

**國茂控股有限公司**

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

**(Stock Code: 8428)**

*Executive Directors:*

Mr. Chow Yik  
Mr. Tsui Wing Tak

*Independent non-executive Directors:*

Mr. Chan Kwan Yung  
Mr. Chong Alex Tin Yam  
Ms. Lau Man Kei

*Registered office:*

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

*Principal place of business in Hong Kong:*

Unit 3205, 32/F  
West Tower Shun Tak Centre  
No. 168–200, Connaught Road Central  
Hong Kong

14 April 2023

*To the Shareholders*

Dear Sir or Madam,

- (i) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) SHARE  
HELD ON THE RECORD DATE;  
(ii) PROPOSED CHANGE IN BOARD LOT SIZE;  
(iii) RE-ELECTION OF DIRECTOR  
AND  
(iv) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 6 March and 28 March 2023 in relation to, among other things, the Rights Issue. The Company proposed to implement the Rights Issue on the basis of five (5) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.265 per Rights Share, to raise up to (i) approximately HK\$20.61 million by issuing 77,757,995 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$20.95 million by issuing 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), to the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders

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## LETTER FROM THE BOARD

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and will not be extended to the Non-Qualifying Shareholders (if any). On 6 March 2023 (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 NQS Unsold Rights Shares to independent placees on a best effort basis.

The purpose of this circular is to provide you, among other things, (i) further details of the Rights Issue; (ii) further details of the Change in Board Lot Size; (iii) re-election of Ms. Lau Man Kei as independent non-executive Director; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (vi) other information required under the GEM Listing Rules; and (vii) a notice convening the EGM.

### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.265 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	15,551,599 Shares
Number of Rights Shares	:	(a) Up to 77,757,995 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (b) Up to 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	(a) Up to HK\$777,579.95 (assuming no change in the number of Shares in issue on or before the Record Date); or (b) Up to HK\$790,499.95 (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)

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## LETTER FROM THE BOARD

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- Number of Shares as enlarged by the allotment and issue of the Rights Shares : (a) Up to 93,309,594 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued); or
- (b) Up to 94,859,994 Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

As at the Latest Practicable Date, there are 258,400 outstanding Share Options for subscription of an aggregate amount of 258,400 Shares under the Share Option Scheme, which are exercisable during a 10-year period from 10 January 2022 (being the date of grant of the Share Options). Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Assuming no exercise of any outstanding Share Options and no change in the share capital of the Company on or before the Record Date, 77,757,995 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 500% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 83.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Assuming that there is no change in the issued Shares other than the full exercise of the outstanding Share Options on or before the Record Date, 79,049,995 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 508.31% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 83.33% of the issued share capital of the Company as enlarged by the allotment and 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 that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory

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## LETTER FROM THE BOARD

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Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement 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 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 part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up their entitlement under the Rights Issue nor any undertaking from any Shareholders that they will undertake to subscribe for the Rights Shares.

Despite the Rights Issue is conducted on a non-underwritten basis, any Rights Shares not subscribed by the Qualifying Shareholders (i.e. the Unsubscribed Rights Shares), including the NQS Unsold Rights Shares (if any) will be placed by the Placing Agent on the market to independent placees on a best effort basis. The Company considers that such placing arrangement at a placing price of not less than the Subscription Price is attractive to encourage independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (if any). Based on the above, the Company is optimistic that the Qualifying Shareholders and the independent placees (if any) will subscribe for the Rights Shares and raise the necessary proceeds for the Company.

### **Subscription Price**

The Subscription Price is HK\$0.265 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 15.87% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.24% to the average of the closing prices of HK\$0.309 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;



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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 13.11% to the average of the closing prices of HK\$0.305 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.79% to the average of the closing prices of HK\$0.311 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 2.93% to the theoretical ex-rights price of approximately HK\$0.273 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 13.23%, represented by the theoretical diluted price of approximately HK\$0.273 per Share to the benchmarked price of HK\$0.315 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.315 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.303 per Share);
- (vii) a discount of approximately 26.39% to the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a discount of approximately 79.07% to the audited net asset value per Share of approximately HK\$1.266 (based on the latest published consolidated net asset value of the Group of approximately HK\$19,681,000 as at 31 March 2022 as disclosed in the annual report of the Company for the year ended 31 March 2022 and 15,551,599 Shares in issue as at the Latest Practicable Date).

The net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.243. The estimated Net Proceeds (assuming no change in the number of Shares in issue on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$18.92 million.

The Subscription Price and the subscription rate (i.e. five (5) Rights Shares for every one (1) Share held on the Record Date) was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this circular.

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## LETTER FROM THE BOARD

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In determining the Subscription Price, which represents a discount of approximately 15.87% to the closing price of HK\$0.315 per Share on the Last Trading Day, the Directors have considered, among other things, as mentioned above, market price of the Shares traded on the Stock Exchange from 28 November 2022 to the Last Trading Day, representing approximately three months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with closing price ranges between the lowest closing price of HK\$0.270 per Share on 3 January 2023, 4 January 2023, 17 January 2023, and 31 January 2023 and the highest closing price of HK\$0.380 per Share on 28 November 2022, 29 November 2022, 30 November 2022, 5 January 2023 and 3 March 2023. In general, the daily closing price per Share during the Relevant Period demonstrates a downward trend.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in this circular after having been advised by the Independent Financial Advisers) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company, and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) for registration 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 9 May 2023.

The last day of dealing in the Shares on cum-rights basis is 5 May 2023. The Shares will be dealt with on an ex-rights basis from 8 May 2023.

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## LETTER FROM THE BOARD

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The Company will dispatch the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. A copy of the Prospectus will also be made available on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.cbk.com.hk](http://www.cbk.com.hk)).

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

### **Rights of Overseas Shareholders**

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). Based on the register of members of the Company as at the Latest Practicable Date, there is one Overseas Shareholder holding of 80,000 Shares representing approximately 0.51% of the total number of issued Shares, whose address on register of members of the Company is in the British Virgin Islands.

### **Arrangement for the Non-Qualifying Shareholders Rights Shares**

The basis for excluding the Non-Qualifying Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL) to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholder(s). The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing.

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## LETTER FROM THE BOARD

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The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of the enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company will be closed from 26 April 2023 to 3 May 2023 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM.

The register of members of the Company will be closed from 10 May 2023 to 16 May 2023 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the book closure periods.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be five (5) Rights Shares for every one (1) Share in issue and held by the Qualifying Shareholders 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 a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

### **Fractional entitlements to the Rights Shares**

On the basis of provisional allotment of five (5) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue and the Change in Board Lot Size, the Placing Agent has been appointed as designated broker by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not

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## LETTER FROM THE BOARD

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Shareholder; and (ii) they are Independent Third Parties. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact the Placing Agent at (852) 2844-9876 or by facsimile at (852) 2526-0618 during the period from 9:00 a.m. on 15 June 2023 to 4:00 p.m. on 14 July 2023 (both days inclusive). Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall 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 are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the 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 14 June 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. In the event that the Rights Issue is terminated, refund cheques are expected to be posted on 14 June 2023 by ordinary post, at their own risk, to their registered addresses.

### **Stamp duty and other applicable fees**

Dealing 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, SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

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## LETTER FROM THE BOARD

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### **Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements**

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 6 March 2023 (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 NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those 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 8 June 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS 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.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying 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 Non-Qualifying 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.

### **Application for listing of the Rights Shares**

The Company will apply to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The Rights Shares, in both their nil-paid and fully-paid forms, will be traded in the board lots of 10,000 Shares, being the new board lot size upon the Change in Board Lot Size becoming effective. No part of the securities of the Company is listed or dealt in or on which listing or permission to dealing is being or is proposed to be sought on any other stock exchange.

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## LETTER FROM THE BOARD

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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 commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be 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 are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (i) the Rights Issue having been approved by the Independent Shareholders at the EGM;
- (ii) the delivery to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (iv) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands; and
- (vi) the Placing Agreement is not terminated.

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## LETTER FROM THE BOARD

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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.

### **Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares**

Details of the Placing Agreement are summarised as follows:

Date	:	6 March 2023 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Excalibur Global Financial Group Limited

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties.

Placing Period	:	A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be 6 June 2023, and ending at 4:00 p.m. on 8 June 2023 or such later date as the Company and the Placing Agent may agree in writing.
Commission and expense	:	Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS 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 NQS Unsold Rights Shares	:	The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.



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## LETTER FROM THE BOARD

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Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For the avoidance of doubt, no placee shall become a substantial shareholder of the Company. The Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules and the Placing will not have any implication 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.

Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) 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.

Conditions of the Placing Agreement : The Placing is conditional upon the fulfilment of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Placing Shares;
- (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and

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## LETTER FROM THE BOARD

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- (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 terms of the Placing Agreement, 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 (i) the market comparables including the placing commissions of the recent proposed rights issue announced by the companies listed on GEM of the Stock Exchange within 12 months prior to the Last Trading Day which are ranged from 1% to 7.07%; (ii) the loss of the Company of approximately HK\$16.95 million for the nine months ended 31 December 2022; (iii) the gross proceeds of the Rights Issue of HK\$20.61 million (assuming no change in the number of Shares on or before the Record Date); and (iv) the downward trend of the daily closing price of the Shares of the Company during the Relevant Period. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent places on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

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 NQS 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;

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## LETTER FROM THE BOARD

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- (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) (i) are not Shareholder; and (ii) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company.

### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in (i) the provision of food catering services through restaurant; and (ii) sales and processing of food in Hong Kong.

The maximum Net Proceeds is estimated to be approximately HK\$18.92 million (assuming no exercise of any outstanding Share Options and no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.243. The Company intends to apply the Net Proceeds as to (i) approximately 58.14% (or approximately HK\$11.00 million) will be used for expansion of existing food and beverage business; (ii) approximately 27.48% (or approximately HK\$5.20 million) will be used for the repayment of debts; and (iii) approximately 14.38% (or approximately HK\$2.72 million) will be used as the general working capital of the Group.

#### Expansion of existing food and beverage business

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

- (i) approximately HK\$5.50 million will be utilised as the Set up Costs for a new restaurant with an expected area of over 3,500 square feet to be located in Causeway Bay, Hong Kong Island ("**Restaurant A**"); and
- (ii) approximately HK\$5.50 million will be utilised as the Set up Costs for a new restaurant with an expected area of over 4,000 square feet to be located in Yau Tsim Mong ("**Restaurant B**").

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## LETTER FROM THE BOARD

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As at Latest Practicable Date, the Company has identified two suitable premises for two new restaurants, details are set out below:

	Location	Gross floor area ( <i>approx. sq. ft.</i> )	Expected rental per month	Expected term	Expected cuisine type	Expected Capacity	Expected Available
Restaurant A	Causeway Bay	Over 3,500	47	2 to 3 years	Japanese style cuisine	80 seats	The premise is vacant
Restaurant B	Yau Tsim Mong	Over 4,000	48	2 to 3 years	Japanese style cuisine	80 seats	The premise is vacant

The Restaurant A will be located in Causeway Bay and the Restaurant B will be located in Yau Tsim Mong (collectively, “**New Restaurants**”). New Restaurants will offer Japanese style cuisine and target customers at middle to high-end class. Considering the expected capacity of the New Restaurants, the Company plans to hire 4–7 kitchen staff (including chefs and kitchen helpers), 4–8 waiters/waitresses, and 1–3 cleaners for each of the New Restaurants. As at the Latest Practicable Date, the Company is in the process of negotiating the terms of the lease with the relevant landlords. The Company will comply with the relevant disclosure requirements under Chapter 19 of the GEM Listing Rule as and when appropriate regarding the lease of New Restaurants.

Since December 2022, the Hong Kong government has further relaxed the restrictions on operation of restaurants in Hong Kong, including the lifting of the requirement for members of the public to scan the “Leave Home Safe” venue QR code and vaccine pass QR code when entering premises, members of the public have gradually resumed their normal life in an orderly manner. The Board believed that the negative impact of the COVID-19 pandemic to the food catering service industry in Hong Kong has gradually decreased and anticipates an optimistic consumer sentiments for the years ahead. In addition, the COVID-19 testing requirement for the cross-border travellers and pre-departure testing and vaccination requirements for overseas arrivals have been cancelled, local catering industry will be benefited from the influx of overseas travellers and cross-border travellers from mainland China, therefore the Board is of the view that it is optimal time for the Group to expand its food and beverage business.

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## LETTER FROM THE BOARD

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### Repayment of debts

As at the Latest Practicable Date, the Group has outstanding bonds of an aggregate principal amount of HK\$5.00 million which was applied for as the general working capital of the Group. The bonds are unsecured and carries coupon interest rate of 48%, 48%, 30% and 48% per annum respectively and are due by 2023 third and fourth quarters, details are set out below:

	<b>Amount</b>	<b>Coupon Interest Rate Per</b>	<b>Date of Issuance</b>	<b>Due Date</b>
	<i>HK\$</i>	<b>Annun</b>		
Bondholder A	1,000,000	48%	29 January 2023	28 July 2023
Bondholder A	500,000	48%	19 February 2023	18 August 2023
Bondholder B	1,500,000	30%	18 January 2023	17 October 2023
Bondholder C	2,000,000	48%	20 January 2023	19 July 2023

*Note:* Bondholder A, bondholder B and bondholder C are Independent Third Parties.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the Net Proceeds cannot be ascertained at this point. In the event that the Rights Issue is undersubscribed, the Net Proceeds will be adjusted by the Company accordingly and will be applied by the Company in the following order of priority:

- (i) for the repayment of debts;
- (ii) for the expansion of existing food and beverage business; and
- (iii) for the general working capital of the Group.

In the event that the Rights Issue is under-subscribed and the Net Proceeds is not sufficient for the setup of the New Restaurants after repayment of debts, the Net Proceeds will be applied for the setup of one of the New Restaurants after the repayment of debt, and any remaining proceeds (if any) will be applied for general working capital of the Group.

In the event that the Rights Issue is voted down by the Shareholders, the Company will further explore other fundraising alternatives to meet the expected funding needs for the next 12 months. Depending on the results of such fundraising activities, the expansion of the food and beverage business may or may not proceed.

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## LETTER FROM THE BOARD

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The Board has considered various ways of fund raising and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. In addition, the Company had preliminarily consulted brokerage companies for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation. The Company had also consulted broker companies and the Placing Agent expressed its interest in acting as a placing agent on best effort basis with reasonable terms.

The Board has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. The Company has contacted certain banks for bank loan facilities, upon the discussion, the Board considers that the debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. As at 31 December 2022, the gearing ratio of the Group, calculated by dividing total borrowing by total equity, was approximately 179.2%. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing 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, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

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## LETTER FROM THE BOARD

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### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent:

- (a) assuming no exercise of any outstanding Share Options and no change in the shareholding structure of the Company on or before completion of the Rights Issue:

	<b>(i) As at the Latest Practicable Date</b>		<b>(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders</b>		<b>(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent</b>	
	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>Approx. %</i>
Public Shareholders	15,551,599	100.00	93,309,594	100.00	15,551,599	16.67
Independent placees	–	–	–	–	77,757,995	83.33
<b>Total</b>	<b>15,551,599</b>	<b>100.00</b>	<b>93,309,594</b>	<b>100.00</b>	<b>93,309,594</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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- (b) assuming all the outstanding Share Options being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent	
	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	<i>Approx. %</i>
Public Shareholders	15,551,599	100.00	93,309,594	98.36	15,551,599	16.39
Independent placees	–	–	–	–	79,049,995	83.33
<b>Directors</b>						
Mr. Chow Yik <i>(Note 1)</i>	–	–	775,200	0.82	129,200	0.14
Mr. Tsui Wing Tak <i>(Note 2)</i>	–	–	775,200	0.82	129,200	0.14
<b>Total</b>	<b><u>15,551,599</u></b>	<b><u>100.00</u></b>	<b><u>94,859,994</u></b>	<b><u>100.00</u></b>	<b><u>94,859,994</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Mr. Chow Yik is an executive Director and chairman of the Company, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.
2. Mr. Tsui Wing Tak is an executive Director of the Company, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.



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## LETTER FROM THE BOARD

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### FUND RAISING EXERCISE IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of the Announcement
31 May 2022	Placing of new shares under general mandate	HK\$2.84 million	For the general working capital of the Group	All net proceeds have been utilised as intended.

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

### POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme. Such adjustments will be certified by the auditor of the Company in accordance with the terms of the Share Option Scheme. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

Save for the Share Option Scheme, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### PROPOSED CHANGE IN BOARD LOT SIZE

The Shares are currently traded in board lots of 2,000 Shares and the market value per board lot of the Shares was HK\$630 (based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day). As set out in the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, it is requested that the value of each board lot shall be no less than HK\$2,000, the Board proposes to change the board lot size for trading of Shares from 2,000 Shares to 10,000 Shares with effect from 9:00 a.m. on 15 June 2023. Upon the Change in Board Lot Size becoming effective, the Shares will be traded in board lot of 10,000 Shares and the estimated market value per board lot of the Shares will be HK\$2,730 (based on the theoretical ex-rights

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## LETTER FROM THE BOARD

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price of approximately HK\$0.273 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day). Shareholders should note that Shareholders' approval is not required for the Change in Board Lot Size.

All existing share certificates in board lot of 2,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 2,000 Shares to new share certificate in board lot size of 10,000 Shares is necessary.

The Change in Board Lot Size will not affect any of the relative rights of the Shareholders. The Board considers that the Change in Board Lot Size in the interest of the Company and the Shareholders as a whole.

### RE-ELECTION OF DIRECTOR

The Board currently consists of two executive Directors, namely Mr. Chow Yik (chairman) and Mr. Tsui Wing Tak, and three independent non-executive Directors, namely, Mr. Chan Kwan Yung, Mr. Chong Alex Tin Yam and Ms. Lau Man Kei ("**Ms. Lau**").

Pursuant to article 83(3) of the memorandum and articles of association of the Company, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members after his appointment and be subject to re-election at such meeting. Accordingly, Ms. Lau shall retire from office as the independent non-executive Director at the EGM and being eligible, offer herself for re-election.

The Board, upon the recommendation of the nomination committee of the Board, proposed Ms. Lau, to stand for re-election at the EGM. The particulars of Ms. Lau proposed to be re-elected in the EGM are set out below:

Ms. Lau, aged 34, is an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee, the nomination committee and the legal compliance committee of the Company. Ms. Lau possesses over 11 years of accounting and audit experiences in Hong Kong. Currently, she is a director of CAN (HK) CPA Limited. From December 2016 to August 2020, she was the assistant financial controller of Kirin Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8109). From March 2011 to November 2016, she was senior auditor of SHINEWING (HK) CPA Limited. Ms. Lau is a qualified member of both The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. She obtained a Bachelor of Arts in Accounting from Edinburgh Napier University.

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## LETTER FROM THE BOARD

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Ms. Lau has entered into an appointment letter with the Company for a term of one year commencing from 16 February 2023 provided that at any time during the term of appointment, either party may terminate the appointment by giving to the other not less than one month's prior notice in writing. Her appointment is subject to retirement by rotation and re-election at general meeting of the Company in accordance with the memorandum and articles of association of the Company and the GEM Listing Rules. Ms. Lau is entitled to an emolument of HK\$120,000 per annum, which were determined by the Board with reference to her level of experience and responsibilities within the Group.

Ms. Lau has given the confirmation of independence to the Company. Based on such confirmation and the information available to the Board, the Board considers that Ms. Lau is independent. In view of the extensive knowledge and invaluable experience of Ms. Lau and after taking into consideration the contribution she made to the Board during the past, the Board believes that the re-election of Ms. Lau is in the best interests of the Company and the Shareholders as well.

Save as disclosed above, Ms. Lau (i) has not held any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; (ii) does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company; and (iii) does not have any interests in the shares of the Company within the meaning of the Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed herein, in relation to the re-election of the Director, the Board is not aware of any information that ought to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules, nor are there any matters that ought to be brought to the attention of the Shareholders.

### **GEM LISTING RULES IMPLICATIONS**

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 10.29(1) of the GEM Listing Rules and any controlling shareholder and their respective associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As at the Latest Practicable Date, (i) the Company does not have any controlling shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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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.

As at the Latest Practicable Date, save for the Rights Issue, the Placing and the Change in Board Lot Size, the Company did not have any plan and had not entered into any negotiation, agreement, arrangement or undertaking to conduct any other corporate action or arrangement that may affect the trading of the Company's shares in the next 12 months.

### **GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Rights Issue and the respective transactions contemplated thereunder.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on 17 May 2023, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only to the extent permitted under the relevant laws and regulations and reasonably practicable.

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Shares will be dealt on an ex-rights basis from 8 May 2023. Dealings in the nil-paid Rights Shares are expected to take place from 19 May 2023 to 29 May 2023 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed "Conditions of the Rights Issue" in this circular) are not fulfilled, the Rights Issue will not proceed.**

**Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid Rights Shares 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 acceptance of the provisionally allotted Rights Shares. 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 advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.**

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Chan Kwan Yung, Mr. Chong Alex Tin Yam and Ms. Lau Man Kei, 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. Kingsway Capital Limited 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 35 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 36 to 64 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 information set out in the appendices to this circular.

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

**CBK Holdings Limited**

**國茂控股有限公司**

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

**(Stock Code: 8428)**

14 April 2023

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) SHARE  
HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 14 April 2023 (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.

Kingsway Capital Limited 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 Kingsway Capital Limited, 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 you 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.

Your Faithfully

*Independent Board Committee of*  
**CBK Holdings Limited**

**Chan Kwan Yung**

*Independent non-executive  
Director*

**Chong Alex Tin Yam**

*Independent non-executive  
Director*

**Lau Man Kei**

*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Kingsway Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue which has been prepared for the purpose of incorporation in this circular:*

**SUNWAH KINGSWAY**  
**新華滙富**

Kingsway Capital Limited  
7/F, Tower One, Lippo Centre  
89 Queensway  
Hong Kong

14 April 2023

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

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE**

#### **A. INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) fairness and reasonableness of the terms of the proposed Rights Issue; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM, details of which are set out in the “LETTER FROM THE BOARD” in the circular (the “**Circular**”) issued by the Company to the Shareholders dated 14 April 2023 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. On 6 March 2023, the Company proposes to raise gross proceeds of up to (i) approximately HK\$20.61 million by issuing 77,757,995 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$20.95 million by issuing 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), to the Qualifying Shareholders.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue at the EGM.

As at the Latest Practicable Date, (i) the Company does not have any controlling shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Chan Kwan Yung, Mr. Chong Alex Tin Yam and Ms. Lau Man Kei, 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. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee 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 make recommendations to the Independent Shareholders on how to vote at the EGM so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, we did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under 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 proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and Kingsway Capital Limited. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **B. BASIS OF OUR OPINION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors and the management of the Company have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement dated 6 March 2023; (ii) the subscription agreements of the bonds with an aggregate principal amount of HK\$5 million; (iii) annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 September 2022 (the “**2022 Interim Report**”); (v) the third quarterly report of the Company for the nine months ended 31 December 2022 (the “**2022 Third Quarterly Report**”); and (vi) other information contained in the Circular, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice.

This letter is issued for the information for 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.

### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

#### 1. Information on the Group

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of catering services in Hong Kong and processing and sales of food in Hong Kong.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2. Historical financial performance of the Group**

Set out below is a summary of (i) the audited consolidated financial information of the Group for years ended 31 March 2022 (“**FY2022**”) and 31 March 2021 (“**FY2021**”), as extracted from the 2022 Annual Report; (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2022 (“**6M2022**”) and 30 September 2021 (“**6M2021**”) as extracted from the 2022 Interim Report; and (iii) the unaudited consolidated financial results of the Group for the nine months ended 31 December 2022 and 31 December 2021 (“**Q32022**” and “**Q32021**”, respectively) as extracted from the 2022 Third Quarterly Report:

	<b>FY2021</b> <i>HK\$'000</i> (audited)	<b>FY2022</b> <i>HK\$'000</i> (audited)	<b>Q32021</b> <i>HK\$'000</i> (unaudited)	<b>Q32022</b> <i>HK\$'000</i> (unaudited)
<i><b>Continued operations</b></i>				
Revenue	12,634	27,302	21,283	21,139
– Provision of catering services through restaurant operations	12,634	25,262	21,283	17,366
– Sales and processing of food	–	2,040	–	3,773
<i><b>Discontinued operation</b></i>				
Revenue	–	215,383	215,383	–
– Manufacturing and sales of frozen aquatic products (Note 1)	–	215,383	215,383	–
Total revenue for the year/period	<u>12,634</u>	<u>242,685</u>	<u>236,666</u>	<u>21,139</u>
Loss for the year/period	<u>(10,306)</u>	<u>(68,515)</u>	<u>(27,127)</u>	<u>(16,950)</u>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 30 September 2022 HK\$'000 (unaudited)</b>	<b>As at 31 March 2021 HK\$'000 (audited)</b>	<b>As at 31 March 2022 HK\$'000 (audited)</b>
Current assets	10,547	22,393	18,185
Total assets	30,777	37,284	36,733
Current liabilities	16,185	8,106	12,971
Total liabilities	21,046	11,075	17,052
Net current (liabilities)/assets	(5,638)	14,287	5,214
Net assets	9,731	26,209	19,681
Bank and cash balances	1,558	17,265	5,723

*Note 1:* As disclosed in the 2022 Annual Report, on 12 November 2021, Mr. Sun Guangping (“**Mr. Sun**”) executed a mutual control agreement with the Group in relation to Zhangzhou Jintian Food Co., Limited (“**Jintian**”), a former non-wholly owned subsidiary which is principally engaged in manufacture and sales of frozen aquatic products in the PRC, pursuant to the agreement, all decisions of Jintian relating to business operations require unanimous consent from all the equity holders with no change of shareholdings, which resulting in a loss of control of Jintian by the Group. Accordingly, with effect from 12 November 2021, Jintian ceased to be a subsidiary of the Group and the investment in Jintian was reclassified as interest in a joint venture, which is jointly controlled by the Group and Mr. Sun by virtue of the contractual arrangement amongst equity holders. For details, please refer to notes 32 and 33 of the 2022 Annual Report.

***FY2022***

As disclosed in the 2022 Annual Report, in FY2022, setting aside the revenue contributed from discontinued operation, the revenue of the Group increased by approximately HK\$14.7 million to approximately HK\$27.3 million for FY2022 from approximately HK\$12.6 million for FY2021. Such increase was mainly attributable to the increase in customer consumption on the Group’s restaurants due to the relaxation on restriction on operation of restaurants by the Hong Kong government under the stable epidemic for the period from April 2021 to end of December 2021 and the revenue generated from new operations opened in first quarter of 2022. In addition, the Group generated revenue of HK\$2.0 million from newly setup food processing business during FY2022.

In FY2022, the Group recorded net loss of approximately HK\$68.5 million, representing an increase by approximately HK\$58.2 million or approximately 564.8% as compared to net loss of approximately HK\$10.3 million for FY2021. Such increase in net loss was mainly attributable to (i) the decrease in other revenue, other gain and loss of approximately HK\$8.2 million as a result of the absence of the one-off gain on gain on lease modification of Tai Po restaurant, which was closed in November 2020, recognized in FY2021 and decrease in government subsidies; (ii) increase in employee benefit expenses of approximately HK\$11.7 million as a result of one-off payment made to Mr. Chan Lap Ping (a former executive director of the Company), Mr. Kwok

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Yiu Chung (ex-chief executive officer of the Company and general manager of the Group) and Ms. Wong Wai Fong (a former director of the Company) of each HK\$2.0 million as discretionary bonus and long services payment according to their respective services contracts and non-cash share-based payment of HK\$1.1 million relating to share option granted to three executive directors in January 2022; (iii) increase in depreciation of approximately HK\$3.1 million as a result of right-of-use assets recognized during FY2022 for the new Central restaurant; (iv) increase in administrative expenses of approximately HK\$6.3 million as a result of one-off demolition work on canopies or retractable awnings of HK\$1.2 million occurred in FY2022 and one-off consumable paid for new restaurants; (v) increase in impairment losses of approximately HK\$2.4 million in respect of property, plant and equipment and right-of-use assets being recognized due to change in value in use of the assets during FY2022; and (vi) the recognition of an one-off loss of approximately HK\$35.4 million from a discontinued operation during FY2022.

The net current assets position of the Group decreased from approximately HK\$14.3 million as at 31 March 2021 to approximately HK\$5.2 million as at 31 March 2022 (with bank and cash balances decreased from approximately HK\$17.3 million as at 31 March 2021 to approximately HK\$5.7 million as at 31 March 2022). The Group's net assets decreased from approximately HK\$26.2 million as at 31 March 2021 to approximately HK\$19.7 million as at 31 March 2022. As at 31 March 2022, total liabilities of the Group amounted to approximately HK\$17.1 million, which mainly comprised of lease liabilities of approximately HK\$8.9 million, accruals and other payables of approximately HK\$5.6 million and trade payable of approximately HK\$1.9 million. Current ratio of the Group decreased from approximately 2.8 times as at 31 March 2021 to approximately 1.4 times as at 31 March 2022 and the gearing ratio of the Group increased from approximately 17.9% as at 31 March 2021 to approximately 45.5% as at 31 March 2022.

### ***Q32022***

As disclosed in the 2022 Third Quarterly Report, in Q32022, setting aside the revenue contributed from discontinued operation, the revenue of the Group decreased slightly by approximately HK\$0.2 million from approximately HK\$21.3 million for Q32021 to approximately HK\$21.1 million for Q32022.

In Q32022, the Group recorded net loss of approximately HK\$16.9 million, which decreased by approximately HK\$10.2 million as compared to net loss of approximately HK\$27.1 million for Q32021. The decrease in net loss was mainly attributable to the combined effect of (i) absence of loss from a discontinued operation of approximately HK\$12.1 million incurred in Q32022, which was one-off in nature; (ii) increase in administrative expenses of approximately HK\$4.1 million due to administrative expenses paid for two new restaurants and Central Kitchen started operation on or after December 2021 and operation and management service fee for catering service operation; (iii) increase in depreciation of approximately HK\$3.4

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million, which was mainly due to amortization of property, plant and equipment of two new restaurants and Central Kitchen started operation on or after December 2021; and (iv) decrease in employee benefit expenses of approximately HK\$4.5 million, which was mainly due to each HK\$2 million paid to Mr. Chan Lap Ping (a former executive director of the Company) and Mr. Kwok Yiu Chung (ex-chief executive officer of the Company and general manager of the Company) as discretionary bonus and long services payment according to their services contract in Q32021.

### ***6M2022***

The net current assets position of the Group deteriorated from net current assets of approximately HK\$5.2 million as at 31 March 2021 to net current liabilities of approximately HK\$5.6 million as at 30 September 2022 (with bank and cash balances decreased from approximately HK\$5.7 million as at 31 March 2021 to approximately HK\$1.6 million as at 30 September 2022). The Group's net assets decreased from approximately HK\$19.7 million as at 31 March 2021 to approximately HK\$9.7 million as at 30 September 2022. As at 30 September 2022, total liabilities of the Group amounted to approximately HK\$21.0 million, which mainly comprised of lease liabilities of approximately HK\$10.3 million, accruals and other payables of approximately HK\$6.6 million, borrowing of HK\$1.5 million, trade payables of approximately HK\$1.4 million and amounts due to a non-controlling interests of approximately HK\$1.2 million. Current ratio of the Group decreased from approximately 1.4 times as at 31 March 2022 to approximately 0.6 times as at 30 September 2022 and the gearing ratio of the Group increased from approximately 45.5% as at 31 March 2022 to approximately 121.0% as at 30 September 2022.

### **3. Background of Reasons for the Rights Issue and the Use of Proceeds**

#### ***Reasons for the Rights Issue and the Use of Proceeds***

It is estimated that the Company will raise maximum Net Proceeds of up to approximately HK\$18.92 million (assuming no exercise of any outstanding Share Options and no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.243. The Company intends to apply the Net Proceeds as to (i) approximately 58.14% (or approximately HK\$11.00 million) will be used for expansion of existing food and beverage business; (ii) approximately 27.48% (or approximately HK\$5.20 million) will be used for the repayment of debts; and (iii) approximately 14.38% (or approximately HK\$2.72 million) will be used as the general working capital of the Group.

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### *Expansion of existing food and beverage business*

As stated in the “LETTER FROM THE BOARD”, in order to expand the Group’s existing business, the Group plans to open two new restaurants. The Net Proceeds will mainly be utilised for the initial set up costs (the “**Set Up Costs**”) for the New Restaurants, including but not limited to initial rental costs and deposit, renovation, staff cost, furniture and set up of IT operation system, details of which are as follows:

- (i) approximately HK\$5.50 million will be utilised as the Set up Costs for a new restaurant with an expected area of over 3,500 square feet to be located in Causeway Bay, Hong Kong Island (“**Restaurant A**”); and
- (ii) approximately HK\$5.50 million will be utilised as the Set up Costs for a new restaurant with an expected area of over 4,000 square feet to be located in Yau Tsim Mong (“**Restaurant B**”).

As at Latest Practicable Date, the Company has identified two suitable premises for the new restaurants, details are set out below:

	Location	Gross floor area (approx. sq. ft.)	Expected rental per month	Expected term	Expected cuisine type	Expected Capacity	Expected Available
Restaurant A	Causeway Bay	Over 3,500	47	2 to 3 years	Japanese style cuisine	80 seats	The premise is vacant
Restaurant B	Yau Tsim Mong	Over 4,000	48	2 to 3 years	Japanese style cuisine	80 seats	The premise is vacant

The Restaurant A will be located in Causeway Bay and the Restaurant B will be located in Yau Tsim Mong (collectively, “**New Restaurants**”). New Restaurants will offer Japanese style cuisine and target customers at middle to high-end class. Considering the expected capacity of the New Restaurants, the Company plans to hire 4–7 kitchen staff (including chefs and kitchen helpers), 4–8 waiters/waitresses, and 1–3 cleaners for each of the New Restaurants. As at the Latest Practicable Date, the Company is in the process of negotiating the terms of the lease with the relevant landlords.

Since December 2022, the Hong Kong government has further relaxed the restrictions on operation of restaurants in Hong Kong, including the lifting of the requirement for members of the public to scan the “Leave Home Safe” venue QR code and vaccine pass QR code when entering premises, members of the public have gradually resumed their normal life in an orderly manner.

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In view of the latest epidemic development, the Hong Kong government has announced that the restriction on capacity of catering premises, bars, pubs and scheduled premises had been lifted on 20 December 2022 and from 6 February 2023, travellers can visit Hong Kong with no quarantine, no isolation, and no vaccination requirements. Also, quarantine orders for Covid-infected patients will be dropped starting 30 January 2023.

Furthermore, we note that from the 2023–2024 Budget announced by the Hong Kong government, to promote speedy recovery on the path to normalcy, the Hong Kong government will introduce a series of targeted measures to attract tourists and enliven Hong Kong’s image. Major events such as “Gourmet Marketplace”, under which large-scale food fairs will be organised in various locations across the territory, bringing together Mainland, Hong Kong and overseas gourmet food, with a view to enabling the public and visitors enjoy the good food in the city.

Taking into consideration of (i) the resumption of normal travel and further relaxing of dining restriction; and (ii) the expected positive prospects of the local catering industry due to the influx of oversea travellers and cross-border travellers from mainland China, we concur with the Director’s view that the Rights Issue and the set-up of new restaurants at this moment is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### ***Repayment of debts***

As at the Latest Practicable Date, the Group has outstanding bonds of an aggregate principal amount of HK\$5 million, which was applied for as the general working capital of the Group. The bonds are unsecured and carries coupon interest rate of 48%, 48%, 30% and 48% per annum respectively and are due by 2023 third and fourth quarters, details are set out below:

	<b>Amount</b>	<b>Coupon Interest Rate Per Annum</b>	<b>Date of Issuance</b>	<b>Due Date</b>
	<i>HK\$</i>			
Bondholder A	1,000,000	48%	29 January 2023	28 July 2023
Bondholder A	500,000	48%	19 February 2023	18 August 2023
Bondholder B	1,500,000	30%	18 January 2023	17 October 2023
Bondholder C	2,000,000	48%	20 January 2023	19 July 2023

*Note:* Bondholder A, bondholder B and bondholder C are Independent Third Parties.



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As part of our due diligence, we have reviewed the subscription agreements in relation to the bonds with an aggregate principal amount of HK\$5 million and noted that the implied cost of capital (being the percentage of estimated expenses in relation to the Rights Issue (e.g. professional fee and relevant expenses) to the maximum gross proceeds of the Rights Issue) of approximately 8.2% is substantially lower than the interest rates of the bonds. Taking into consideration of (i) the latest cash position of the Group as at 30 September 2022 (being approximately HK\$1.6 million as disclosed in the 2022 Interim Report) was lower than the principal amount of the bonds and the Group currently does not have other better fund-raising alternatives as discussed under the section under “Fund-raising alternatives” of this letter; and (ii) the cost of capital by way of the Rights Issue was lower than that of the bonds, we consider the repayment of bond principles can enhance the Group’s financial position and therefore is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the Net Proceeds cannot be ascertained at this point. As stated in the “LETTER FROM THE BOARD”, in the event that the Rights Issue is undersubscribed, the Net Proceeds will be adjusted by the Company accordingly and will be applied by the Company in the following order of priority:

- (i) for the repayment of debts;
- (ii) for the expansion of existing food and beverage business; and
- (iii) for the general working capital of the Group.

In the event that the Rights Issue is voted down by the Shareholders, the Company will further explore other fundraising alternatives to meet the expected funding needs for the next 12 months. Depending on the results of such fundraising activities, the expansion of the food and beverage business may or may not proceed.

It is noted that the Directors confirmed that after due and careful enquiry and taking into consideration the financial resources presently available to the Group, including the existing cash and bank balances and available facilities without the net proceeds of the proposed Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Circular.

### ***Fund-raising alternatives***

As advised by the Directors, apart from the Rights Issue, the Directors have considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group’s long-term growth by long term financing, preferably in the form of equity which will not increase the Group’s finance costs.

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The Directors has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. As advised by the management of the Company, the Group has approached its main commercial banks for securing additional bank loan facilities but was unable to obtain additional banking facilities given the Group was loss-making in both FY2021 and FY2022. The Group has also approached other financial institutions as contingency plan for obtaining new credit line to meet the Group's funding needs for the next 12 months in the case that the Rights Issue is voted down by the Shareholders or under-subscribed and was given the understanding that such new credit line would be available but requires asset pledge or relatively high interest rate. In addition, given the high gearing of the Group as at 31 December 2022, (i.e. 179.2% as at 31 December 2022), the Directors consider that debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations and consider debt financing may not be achievable on favourable terms in a timely manner. As such, we concur with the view of the management of the Company that debt financing may not be a viable financing alternative.

As for equity fund raising, such as placing of new Shares, the Directors are of the view that 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, which is not the intention of the Company. While an open offer is similar to a rights issue, offering qualifying shareholders to participate, the Directors consider that it does not allow free trading of rights entitlements in the open market. Lastly, we consider that although an open offer is similar to a rights issue which provides the Qualifying Shareholders with equal opportunity to participate in proportion to their existing shareholding interest, an open offer is less favourable to the Shareholders compared to a rights issue due to the flexibility of the shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the rights issue.

In addition, the Company had preliminarily consulted other brokerage companies (including the Placing Agent) for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation. As advised by the management of the Company, none of the brokerage companies shown interest in acting as an underwriter to the Rights Issue. Having considered the feedback from the brokerage companies, the Board was of the view that the terms of the Placing Agreement including the commission rate proposed by the Placing Agent was reasonable and favorable to the Company. As such, the Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

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Having considered that (i) none of the brokerage companies shown interest in acting as an underwriter to the Rights Issue; and (ii) the placing commission for the Compensatory Arrangement will only be incurred if there are any Unsubscribed Rights Shares to be placed by the Placing Agent and such Unsubscribed Shares are placed successfully, we concur with the view of the Directors that conducting the Rights Issue on a non-underwritten basis is in the interests of the Company and the Shareholders as a whole.

Taking into account the benefits and potential cost of each of the fundraising alternatives as mentioned above, we concur with the view of the Directors that placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders which would result in immediate dilution in the shareholding interest of existing Shareholders is therefore less favourable to the Shareholders compared to a rights issue. We concur with the view of the management of the Company that the Rights Issue allows the Group to strengthen the capital base of the Company at a more cost-effective method, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company and is in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Rights Issue**

The Board proposed to implement the Rights Issue on the basis of five (5) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.265 per Rights Share to raise gross proceeds of up to (i) approximately HK\$20.61 million by issuing 77,757,995 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$20.95 million by issuing 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), to the Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.265 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	15,551,599 Shares
Number of Rights Shares	:	(a) Up to 77,757,995 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or

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- (b) Up to 79,049,995 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
- Aggregate nominal value of the Rights Shares : (a) Up to HK\$777,579.95 (assuming no change in the number of Shares in issue on or before the Record Date); or
- (b) Up to HK\$790,499.95 (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
- Number of Shares as enlarged by the allotment and issue of the Rights Shares : (a) Up to 93,309,594 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued); or
- (b) Up to 94,859,994 Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

As at the Latest Practicable Date, there are 258,400 outstanding Share Options for subscription of an aggregate amount of 258,400 Shares under the Share Option Scheme, which are exercisable during a 10-year period from 10 January 2022 (being the date of grant of the Share Options). Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Assuming no exercise of any outstanding Share Options and no change in the share capital of the Company on or before the Record Date, 77,757,995 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 500% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 83.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Assuming that there is no change in the issued Shares other than the full exercise of the outstanding Share Options on or before the Record Date, 79,049,995 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 508.31% of the total

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number of issued Shares as at the Latest Practicable Date; and (ii) 83.33% of the issued share capital of the Company as enlarged by the allotment and 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 that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS 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.

There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement 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 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 part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up their entitlement under the Rights Issue nor any undertaking from any Shareholders that they will undertake to subscribe for the Rights Shares.

### ***Subscription Price***

The Subscription Price is HK\$0.265 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 15.87% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.24% to the average of the closing prices of HK\$0.309 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

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- (iii) a discount of approximately 13.11% to the average of the closing prices of HK\$0.305 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.79% to the average of the closing prices of HK\$0.311 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 2.93% to the theoretical ex-rights price of approximately HK\$0.273 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 13.23%, represented by the theoretical diluted price of approximately HK\$0.273 per Share to the benchmarked price of HK\$0.315 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.315 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.303 per Share);
- (vii) a discount of approximately 26.39% to the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a discount of approximately 79.07% to the audited net asset value per Share of approximately HK\$1.266 (based on the latest published consolidated net asset value of the Group of approximately HK\$19,681,000 as at 31 March 2022 as disclosed in the annual report of the Company for the year ended 31 March 2022 and 15,551,599 Shares in issue as at the Latest Practicable Date).

As stated in the “LETTER FROM THE BOARD”, the Subscription Price and the subscription rate (i.e. five (5) Rights Shares for every one (1) Share held on the Record Date) was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the theoretical closing prices of the Shares and the trading liquidity of the Shares for the period from 6 March 2022, being the 12-month period prior to the date of the Announcement, up to and including the Last Trading Day (“**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and

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reasonableness of the Subscription Price, as the closing prices of the Shares before the Announcement represent a fair market value of the Company which the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the daily closing price per Share (“**Closing Price**”) versus the Subscription Price of HK\$0.265 per Rights Share during the Review Period:



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

During the Review Period, the highest Closing Price was HK\$2.16 recorded on 7 March 2022 and the lowest Closing Price was HK\$0.27 recorded on 3, 4, 17, 27, 30 and 31 January 2023. The Subscription Price of HK\$0.265 represents a discount of approximately 87.7% to the highest Closing Price during the Review Period and a discount of approximately 1.9% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was approximately HK\$0.83, which means the Subscription Price has a discount of approximately 68.2% over the average Closing Price during the Review Period.

As illustrated in the chart above, during the Review Period, the Closing Price was traded generally higher than the Subscription Price. It can be observed from the above chart that the daily Closing Price substantially decreased from HK\$0.93 to HK\$0.7 between 19 July 2022 to 27 July 2022, bounced back to HK\$1.03 on 8 August 2022 and showed a gradual downward trend since then. As discussed with the management of the Company, they were not aware of any reason for such substantial change in the Closing Price in July 2022 and the reason for the general downward trend of the Closing Price during the Review Period. We have also reviewed the announcements published by the Company during such period and we are not aware of any information which caused the substantial change in Closing Price.

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As discussed in the section headed “Comparison to other rights issue” in this letter below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue.

**Table A**

	<b>Total trading volume of the Shares in the month <i>(No. of Shares)</i></b>	<b>Number of trading days in the month</b>	<b>Average daily trading volume of the Shares in the month <i>(No. of Shares)</i></b>	<b>Percentage of average daily trading volume to total number of Shares <i>(Note 1)</i></b>
<b>2022</b>				
March	532,400	23	23,148	0.01%
April	728,440	18	40,469	0.01%
May	599,200	20	29,960	0.01%
June	1,327,920	21	63,234	0.01%
July	347,886	20	17,394	0.11%
August	610,440	23	26,541	0.17%
September	156,000	21	7,429	0.05%
October	787,840	20	39,392	0.25%
November	143,600	22	6,527	0.04%
December	34,440	20	1,722	0.01%
<b>2023</b>				
January	450,920	18	25,051	0.16%
February	269,760	20	13,488	0.09%
March (up and including the Last Trading Day)	46,802	4	11,701	0.08%

We have also reviewed the trading volume of the Shares during the Review Period. We note that during the Review Period, the average daily trading volume per month of the Shares as compared with the total issued Shares at the end of the respective month/period (the “**Trading Liquidity Ratio**”) ranged from approximately 0.01% to approximately 0.25% with the mean of approximately 0.08%.

In view of this, we considered the trading liquidity of the Shares were thin during the Review Period, with all months less than 1.0% to the then total number of issued Shares as at the end of their respective month/period. We anticipate that the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are



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therefore of the view that it is reasonable to set the Subscription Price at a discount to the average Closing Price to encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company.

### *Comparison to other rights issue*

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on GEM of the Stock Exchange (excluding those terminated or lapsed or announced but not yet completed) within approximately 12 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 15 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We consider the Comparison Period of approximately 12 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We consider that despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., they are often influenced by the recent market trends for rights issue. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as a general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on GEM of the Stock Exchange which are similar in size of operation as GEM is positioned as a market designed to accommodate small and mid sized companies; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, maximum dilution on the shareholding and theoretical dilution effect; and (iii) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**Table B**

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue <i>HK\$ million</i>	Discount of subscription price over the closing price per share on the trading day <i>(Approximately %)</i>	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue <i>(Approximately %)</i>	Maximum dilution on the shareholding <i>(Approximately %)</i>	Theoretical dilution effect <i>(Note 3)</i> <i>(Approximately %)</i>	Excess Placing Application/ <i>(Note 3)</i> <i>(Approximately %)</i>	Underwriting arrangement	Placing Commission (%)	Underwriting commission (%)
10/1/2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.4)	(21.7)	33.3	(9.8)	Placing	Underwritten on a best effort basis	1.3	N/A
6/1/2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.8	nil	nil	33.3	nil	Excess application	Fully-underwritten	N/A	4
29/12/2022	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	(7.3)	33.3	(5.6)	Excess application	Underwritten on a best effort basis	N/A	1.5
21/10/2022	C&N Holdings Limited (8430)	3 for 1	32.5	(13.3)	(3.7)	75.0	(10.0)	Placing	Non-underwritten	1.5	N/A
23/9/2022	Tasty Concepts Holding Limited (8096)	5 for 2	41.3	(14.3)	(4.5)	71.4	(10.3)	Placing	Non-underwritten	2.5	N/A
10/8/2022	Easy Repay Finance & Investment Limited (8079)	1 for 2	14.4	(45.0)	(35.1)	33.3	(16.1)	Placing	Non-underwritten	7.1	N/A
4/8/2022	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	393.9	(18.8)	(17.4)	9.1	(1.7)	Excess application	Non-underwritten	N/A	N/A
14/7/2022	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	24.0	(25.0)	(14.3)	50.0	(16.5)	Placing	Non-underwritten	2.5	N/A
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	31.5	(41.2)	(32.0)	33.3	(13.9)	Excess application	Underwritten on a best effort basis	N/A	1
10/6/2022	Gameone Holdings Limited (8282)	1 for 2	22.4	(40.4)	(31.2)	33.3	(13.5)	Excess application	Underwritten on a best effort basis	N/A	1.5
25/5/2022	F8 Enterprises (Holdings) Group Limited (8347)	1 for 2	17.1	(5.6)	(3.7)	33.3	(1.9)	Excess application	Underwritten on a best effort basis	N/A	5
18/5/2022	K Group Holdings Limited (8475)	2 for 1	50.2	(28.8)	(12.3)	66.7	(20.4)	Excess application	Underwritten on a best effort basis	N/A	3

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue <i>HK\$ million</i>	Discount of subscription price over the closing price per share on the respective last trading day <i>(Approximately %)</i>	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue <i>(Approximately %)</i>	Maximum dilution on the shareholding <i>(Approximately %)</i>	Theoretical dilution effect <i>(Note 2) (Approximately %)</i>	Excess Application/ Placing <i>(Note 3)</i>	Underwriting arrangement	Placing Commission <i>(%)</i>	Underwriting commission <i>(%)</i>
12/5/2022	KOALA Financial Group Limited (8226)	2 for 1	83.5	(4.8)	(1.6)	66.7	(4.7)	Excess application	Underwritten on a best effort basis	N/A	3
28/4/2022	Palinda Group Holdings Limited (8179)	1 for 2	29.3	(39.8)	(30.6)	33.3	(13.3)	Excess application	Fully-underwritten	N/A	7.1
28/4/2022	Life Concepts Holdings Limited (8056)	3 for 2	48.6	(7.0)	(2.9)	60.0	(9.3)	Excess application	Underwritten on a best effort basis	N/A	1
		Maximum		(4.8)	nil	75.0	nil				
		Minimum		(45.0)	(35.1)	9.1	(20.4)				
		Average		(23.1)	(15.6)	44.4	(10.5)				
<b>6/3/2023</b>	<b>The Group</b>	<b>5 for 1</b>	<b>18.92</b>	<b>(15.9)</b>	<b>(2.9)</b>	<b>83.3</b>	<b>(13.2)</b>	<b>Placing</b>	<b>Non-underwritten</b>	<b>3.5</b>	<b>N/A</b>

**Notes:**

- In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions.
- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
- Pursuant to Rule 10.31(1) of the GEM Listing Rule.
- N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the Table B, we note that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from nil to a discount of approximately 45.0%, with an average discount of approximately 23.1%. The discount of the Subscription Price to the closing price per Share as at the Last Trading Day of approximately 15.9% is within the range; (ii) the theoretical ex-rights price per Share based on the closing price per share on the last trading day prior to announcement in relation to the respective Comparables ranged from nil to a discount of approximately 35.1%, with an average discount of approximately 15.6%. The discount of the Subscription Price to the theoretical ex- rights price per Share on the Last Trading Day of approximately 2.9% is within the range; (iii) the theoretical dilution effect of the Comparables ranged from nil to approximately 20.4% with an average discount of approximately 10.5%. The theoretical dilution effect represented by the Rights Issue of approximately 13.2% is within the range of the theoretical dilution effect of the Comparables. Having considered that (i) the net proceeds from the Rights Issue would improve the Group's financial condition; and (ii) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned.

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of approximately 68.2% to the average Closing Price of HK\$0.83 during the Review Period; (ii) the trading liquidity of the Shares were generally thin during the Review Period and the Subscription Price at a discount may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the discount of the Subscription Price is within range of the Comparables; (iv) a review period of 12 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (v) the discount of the Subscription Price to the recent market price of the Share is necessary to encourage the Qualifying Shareholders to participate the Rights Issue under recent market uncertainties, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Change in the shareholding structure of the Company arising from the rights issue*

Set out below is the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent:

- (a) assuming no exercise of any outstanding Share Options and no change in the shareholding structure of the Company on or before completion of the Rights Issue:

	<b>(i) As at the Latest Practicable Date</b>		<b>(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders</b>		<b>(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent</b>	
	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	<i>Approx. %</i>
Other public Shareholders	15,551,599	100.00	93,309,594	100.00	15,551,599	16.67
Independent placees	—	—	—	—	77,757,995	83.33
<b>Total</b>	<b><u>15,551,599</u></b>	<b><u>100.00</u></b>	<b><u>93,309,594</u></b>	<b><u>100.00</u></b>	<b><u>93,309,594</u></b>	<b><u>100.00</u></b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) assuming all the outstanding Share Options being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent	
	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	%	<i>Number of issued Shares</i>	<i>Approx. %</i>
Public Shareholders	15,551,599	100.00	93,309,594	98.36	15,551,599	16.39
Independent placees	–	–	–	–	79,049,995	83.33
<b>Directors</b>						
Mr. Chow Yik <i>(Note 1)</i>	–	–	775,200	0.82	129,200	0.14
Mr. Tsui Wing Tak <i>(Note 2)</i>	–	–	775,200	0.82	129,200	0.14
Total	<u>15,551,599</u>	<u>100.00</u>	<u>94,859,994</u>	<u>100.00</u>	<u>94,859,994</u>	<u>100.00</u>

*Notes:*

- Mr. Chow Yik is an executive Director and chairman of the Company and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.
- Mr. Tsui Wing Tak is an executive Director of the Company and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future business development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. Details of the changes in shareholding structure of the Company resulting from completion of the Rights Issue are set out in the table above.

Assuming there will be no exercise of any outstanding Share Options and no change in the shareholding structure of the Company before completion of the Rights Issue, if (i) all Rights Shares are subscribed for by the Qualifying Shareholders, the shareholding of the public Shareholders will remain at 100%; and (ii) assuming none of the Qualifying Shareholders takes up any of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent, the shareholding of the public Shareholders will decrease from approximately 100% as at the Latest Practicable Date to approximately 16.67% upon completion of the Rights Issue. The possible maximum dilution effect to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 83.3%. The above scenario is for illustrative purpose only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

Assuming all the outstanding Share Options being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue, if (i) all Rights Shares are subscribed for by the Qualifying Shareholders, the shareholding of the public Shareholders will remain at 98.36%; and (ii) assuming none of the Qualifying Shareholders takes up any of the Rights Shares and all Unsubscribed Rights Shares have been placed by the Placing Agent, the shareholding of the public Shareholders will decrease from approximately 100% as at the Latest Practicable Date to approximately 16.39% upon completion of the Rights Issue. The possible maximum dilution effect to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 81.97%. The above scenario is for illustrative purpose only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are aware of the potential maximum dilution effect as a result of the Rights Issue. However, having taken into account that (i) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the business growth of the Company; (ii) the theoretical dilution effect of 13.2% of the Rights Issue is within the range of that of the Comparables; (iii) the shareholding of the Qualifying Shareholders would not be diluted if they choose to subscribe for their entitled Rights Shares in full; and (iv) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the markets if they do not want to take up the rights entitlement, we are of the opinion that the potential dilution effect of the Rights Issue is justifiable.

### *Excess application*

As stated in the “LETTER FROM THE BOARD”, the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. We have reviewed the Comparables and noted that 4 out of 15 Comparables did not offer excess application to their shareholders and 5 out of 15 Comparables were conducted on non-underwritten basis. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice. As such, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

### *Placing price*

Pursuant to the Placing Agreement, the placing price (the “**Placing Price**”) of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share shall be not less than the Subscription Price. The final price determination is depends on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed “Subscription Price” in this letter above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Placing commission*

As set out in the “LETTER FROM THE BOARD”, the terms of the Placing Agreement, including the commission payable, were determined after arm’s length negotiation between the Company and the Placing Agents with reference to (i) the market comparables including the placing commissions of the recent proposed rights issue announced by the companies listed on GEM of the Stock Exchange within 12 months prior to the Last Trading Day which are ranged from 1% to 7.07%; (ii) the loss of the Company of approximately HK\$16.95 million for the nine months ended 31



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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December 2022; (iii) the gross proceeds of the Rights Issue of HK\$20.61 million (assuming no change in the number of Shares on or before the Record Date); and (iv) the downward trend of the daily closing price of the Shares of the Company during the Relevant Period and the Placing Agent to the Company will receive 3.5% of the placing price.

According to the Comparables as set out in Table B, the placing commission rate of the Comparables ranged from approximately 1.3% to approximately 7.1%, with an average placing commission rate of approximately 3.0%. As the placing commission rate of approximately 3.5% is slightly above the average placing commission of the Comparables but falls within the range of the Comparables, we are of the view that the placing commission rate charged by the Placing Agent is not unreasonable and is in the interests of the Company and Independent Shareholders as a whole.

### **5. Financial effects of the Rights Issue**

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2022 was approximately HK\$14.0 million.

#### *Net assets*

Assuming no further issuance of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company would increase to approximately HK\$32.9 million as at 30 September 2022 upon completion of the Rights Issue; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company would be approximately HK\$0.9 before the completion of the Rights Issue and approximately HK\$0.35 upon completion of the Rights Issue as at 30 September 2022.

#### *Liquidity*

According to the 2022 Interim Report, as at 30 September 2022, the cash and cash equivalents of the Group was approximately HK\$1.6 million and the Group had current assets of approximately HK\$10.5 million, current liabilities of approximately HK\$16.2 million. Accordingly, (i) the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 September 2022 was approximately 0.65 times; and (ii) the gearing ratio of the Group (being the total debts divided by the total equity of the Group) as at 30 September 2022 was approximately 121.0%. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$18.92 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon completion of the Rights Issue and assuming that the Rights Shares are fully subscribed, it is expected that (i) the current ratio of the Group will be increased from approximately 0.65 times to approximately 1.82 times; and (ii) the gearing ratio of the Group will be decreased from approximately 121.0% to approximately 41.1%. As such, the current ratio, the gearing ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue before utilising the net proceeds.

As the Rights Issue will improve the liquidity position of the Group, we are of the view that the Rights Issue are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 30 September 2022 or any future date; or (ii) the net assets per Share of the Company as at 30 September 2022 or any future date.

### C. RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (a) the proceeds from the Rights Issue will enable the Group to expand its existing food and beverage business and the Group is expected to be benefited from the speedy recovery of Hong Kong after the relaxation of COVID-19 restrictions on restaurants in Hong Kong;
- (b) the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that setting the Subscription Price at a discount to the average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company as stated under the paragraph headed “Subscription Price” in this letter;
- (c) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison to other rights issue” in this letter; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect will only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Kingsway Capital Limited**  
**Karen Wong**  
*Managing Director*

*Note:* Ms. Karen Wong is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Kingsway Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in and completed various advisory transactions involving companies listed in Hong Kong in respect of the Takeovers Code for over 10 year.

**1. FINANCIAL SUMMARY OF THE GROUP**

Financial information of the Group for each of the three financial years ended 31 March 2020, 2021 and 2022, the three months ended 30 June 2022, the six months ended 30 September 2022 and three and nine months ended 31 December 2022 were disclosed on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.cbk.com.hk>). Set out below are links to the relevant financial reports of the Company:

- (i) The annual report of the Company for the year ended 31 March 2022 published on 27 June 2022 (pages 83 to 192):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0627/2022062700033.pdf>

- (ii) The annual report of the Company for the year ended 31 March 2021 published on 17 June 2021 (pages 78 to 176):

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

- (iii) The annual report of the Company for the year ended 31 March 2020 published on 30 June 2020 (pages 77 to 168):

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

- (iv) The first quarterly report of the Company for the three months ended 30 June 2022 published on 10 August 2022 (pages 6 to 23):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0810/2022081000343.pdf>

- (v) The interim report of the Company for the six months ended 30 September 2022 published on 11 November 2022 (pages 6 to 30):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/1111/2022111101089.pdf>

- (vi) The third quarterly report of the Company for the three and nine months ended 31 December 2022 published on 13 February 2023 (pages 6 to 23):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0213/2023021300504.pdf>

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 28 February 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

### (a) Interest-bearing borrowings

The Group has outstanding bonds with aggregate principal amounts of HK\$5.00 million at 28 February 2023. The bonds are unsecured, carry effective interest rate at range from 30% to 48% per annum and are repayable within one year of which one of the bonds with principal amount of HK\$2 million is guaranteed by the Company and the Chairman of the Company.

### (b) Lease liabilities

At 28 February 2023, the Group had lease liabilities of approximately HK\$7,786,000.

	At 28 February 2023 HK\$'000 (Unaudited)
Amount payable – current portion	4,646
Amount payable – non-current portion	3,621
	<u>8,267</u>
Less: future finance charges	(481)
	<u><u>7,786</u></u>

As at 28 February 2023, the weighted average incremental borrowing rate for lease liabilities of the Group was 5.3% per annum.

### (c) Amount due to non-controlling interests

At 28 February 2023, the amount due to non-controlling interests of approximately HK\$1,561,000 are unsecured, interest-free and repayable on demand.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of the business on 28 February 2023, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade payables), acceptance credits, or any guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including the existing cash and bank balances, available facilities, the estimated net proceeds from the Rights Issue, the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

As stated in the profit warning announcement of the Company dated 1 August 2022, the Group was expected to record an increase in loss attributable to owners of the Company for three months ended 30 June 2022 by approximately HK\$3.6 million, as compared to a loss attributable to owners of the Company of approximately HK\$1.6 million for the corresponding period in last year. To the best knowledge of the Directors, this was mainly attributable to (a) no profit recognized from discontinued operations attributable to owners of the Company of approximately HK\$1.1 million recognized in three months ended 30 June 2022 due to deconsolidation of manufacture and sales of frozen aquatic products industry in last financial year; (b) the decrease in revenue from continuing operations by approximately HK\$1.3 million due to decrease in eating outside and consumption intention causing by the restriction on operation of restaurants by the Hong Kong Government after the outbreak of the fifth wave of COVID-19 pandemic; and (c) the increase in operating costs from continuing operations by approximately HK\$1.2 million due to provision of catering service and new restaurant commenced its operation since the first quarter of 2022.

As stated in the profit warning announcement of the Company dated 9 November 2022, the Group was expected to record an increase in loss from continuing operation attributable to owners of the Company for the six months ended 30 September 2022 by approximately HK\$5.7 million, as compared to a loss from continuing operation attributable to owners of the Company of approximately HK\$7.3 million for the corresponding period in last year. To the best knowledge of the Directors, this was mainly attributable to (a) decrease in revenue by approximately HK\$1.3 million in the six months ended 30 September 2022 due to decrease in eating outside and consumption intention causing by the restriction on operation of restaurants by the Hong Kong Government after the outbreak of the fifth wave of COVID-19 pandemic; (b) the increase in depreciation for central kitchen and two new restaurants started operation on or after December 2021 by approximately HK\$2.4 million; and (c) the increase in operating costs from continuing operations by approximately HK\$2.7 million due to provision of catering

service and two new restaurants commenced its operation on or after December 2021. The loss are partially offset by increase in government subsidies of approximately HK\$0.9 million.

As stated in the profit warning announcement of the Company dated 7 February 2023, the Group was expected to record an increase in loss from continuing operation attributable to owners of the Company for the nine months ended 31 December 2022 by approximately HK\$2.0 million, as compared to a loss from continuing operation attributable to owners of the Company of approximately HK\$15.0 million for the corresponding period in last year. To the best knowledge of the Directors, this was mainly attributable to the increase in depreciation for central kitchen and two new restaurants started operation on or after December 2021 by approximately HK\$3.4 million. After exercise more cost control which resulted to a decrease in costs from continuing operation which partially offset the loss by approximately HK\$1.5 million.

As at the Latest Practicable Date, save as aforesaid, the Directors confirm there had been no material adverse change in the financial or trading position of the Group since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up).

## **5. FINANCIAL AND TRADING PROSPECT**

The Group is principally engaged in (i) the provision of food catering services through restaurant; and (ii) sales and processing of food in Hong Kong.

For the year ended 31 March 2022, the Group's continuing operations revenue amounted to approximately HK\$27.30 million, representing an increase of approximately 116.15% when compared to that of approximately HK\$12.63 million for last year. The Group's revenue was mainly derived from the increase in revenue of the provision of catering services through restaurant operations in Hong Kong.

For the nine months ended 31 December 2022, the Group's continuing operations revenue amounted to approximately HK\$21.14 million, representing a decrease of approximately 0.66% when compared to that of approximately HK\$21.28 million for the corresponding period in last year. The Group's revenue was mainly derived from the provision of catering services through restaurant operations in Hong Kong.

During the current financial year, the deterioration in the Group's results was mainly attributable to the adverse impact to our business arising from the outbreak of the COVID-19 pandemic as well as social distancing restrictions and measures effective in Hong Kong during the period, especially the fifth wave of the COVID-19 pandemic in Hong Kong. Nevertheless, the management the Group has implemented cost-saving measures including negotiating with our landlords for rent concessions and adopting certain sales stimulating measures including but not limited to increasing marketing efforts and expanding the take-away product line, to partially offset the aforesaid adverse impacts.

Going forward, the management expects that the loosening of social distancing restrictions and measures may boost the overall sentiment of the consumers. While there are still many uncertainties regarding the COVID-19 pandemic and operating prospect, the management will closely monitor the latest development and consider any potential opportunities to leverage on the improvement of the sentiments to recover the respective business of our restaurants. Subject to the successful completion of the Rights Issue, the Company plans to open two new restaurants to expand the footprint on food and beverages.

The management will also continue to strive to control the rising operating cost on manpower, utilities and food.



*For illustrative purposes, the financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2022. The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Rights Issue.*

**A. 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 owners of the Company prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022, as extracted from the published interim report of the Company for the six months ended 30 September 2022, with adjustments described below.

**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

	<b>Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 HK\$'000 (Note i)</b>	<b>Estimated net proceeds from the Rights Issue HK\$'000 (Note ii)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue HK\$'000</b>	<b>Unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 30 September 2022 HK\$ (Note iii)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Rights Issue HK\$ (Note iv)</b>
Rights Issue of 77,757,995 Rights Shares	14,029	18,920	32,949	0.90	0.35

*Notes:*

- (i) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$14,029,000 as at 30 September 2022 is based on the unaudited condensed consolidated financial position of the Group attributable to owners of the Company as at 30 September 2022 of approximately HK\$14,029,000 as extracted from the published interim report of the Company for the six months ended 30 September 2022.
- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$18,920,000 is calculated based on 77,757,995 Rights Shares to be issued (in the proportion of five (5) Rights Shares for every one (1) existing share held as at the Record Date) at the subscription price of HK\$0.265 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,686,000 assuming that the Rights Issue had been completed on 30 September 2022.
- (iii) The unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 September 2022 is approximately HK\$0.90, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 of approximately HK\$14,029,000 divided by 15,551,599 Shares in issue as at 30 September 2022.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

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- (iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Rights Issue is approximately HK\$0.35, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$32,949,000 divided by 93,309,594 Shares, which represents the sum of 15,551,599 Shares in issue as at 30 September 2022 and the Record Date (assuming no change in the number of Shares in issue on or before the Record Date) and 77,757,995 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of five (5) Rights Shares for every one (1) existing share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 30 September 2022.
  
- (v) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2022.

*The following is the text of a report received from Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**mazars**  
中 审 众 环

**MAZARS CPA LIMITED**

中審眾環（香港）會計師事務所有限公司

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Email 電郵：info@mazars.hk

Website 網址：www.mazars.hk

14 April 2023

The Board of Directors  
CBK Holdings Limited  
Unit 3205, 32/F  
West Tower Shun Tak Centre  
168–200 Connaught Road Central, Hong Kong

Dear Sirs,

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 (collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 and related notes as set out on pages II-1 to II-3 of the circular dated 14 April 2023 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 77,757,995 rights shares at HK\$0.265 per rights shares (the “**Rights Shares**”) on the basis of five Rights Shares for every one existing share of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2022 as if the Rights Issue had taken place on 30 September 2022. As part of this process, information about the Group’s unaudited consolidated financial position has been extracted by the Directors from the published interim report of the Company for the six months ended 30 September 2022.

**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 (the “**HKICPA**”).

**Reporting accountants' 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.

We apply Hong Kong Standard on Quality Control 1 (Clarified) “*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintain 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 the unaudited pro forma financial information included in a circular 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 events or transactions at 30 September 2022 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 unaudited 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 by the Directors 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,

**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong

**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 and fully paid share capital of the Company (a) as at the Latest Practicable Date; (b) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue); and (c) immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise of all outstanding Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue), will be as follows:

**i. As at the Latest Practicable Date:**

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000.00
<i>Issued and paid-up</i>		
<i>share capital:</i>		
15,551,599	Shares of HK\$0.01 each	155,515.99

**ii. Immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):**

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000.00
<i>Issued and paid-up</i>		
<i>share capital:</i>		
15,551,599	Shares of HK\$0.01 each	155,515.99
77,757,995	Rights Shares to be allotted and issued upon completion of the Rights Issue of HK\$0.01 each	777,579.95
93,309,594	Shares in issue immediately after completion of the Rights Issue of HK\$0.01 each	933,095.94
93,309,594		933,095.94



- iii. Immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise of all outstanding Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue):

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000.00
<i>Issued and paid-up share capital:</i>		
15,551,599	Shares of HK\$0.01 each	155,515.99
258,400	Shares to be allotted and issued upon full exercise of all the outstanding Share Options	2,584.00
79,049,995	Rights Shares to be allotted and issued upon completion of the Rights Issue of HK\$0.01 each	790,499.95
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94,859,994	Shares in issue immediately after completion of the Rights Issue of HK\$0.01 each	948,599.94
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All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company has applied to the GEM Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. 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 Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there are 258,400 outstanding Share Options for subscription of an aggregate amount of 258,400 Shares under the Share Option Scheme, which are exercisable during a 10-year period from 10 January 2022 (being the date of grant of the Share Options). Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date. Save as aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### i. Directors and chief executive's interests in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and 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 SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

#### *Interests in the Shares and underlying Shares*

Name of Director	Capacity/ Nature of interest	Number of underlying Shares (Note 1)	Approximately percentage of the total issued Shares
Mr. Chow Yik (Note 2)	Beneficial owner	129,200(L)	0.83%
Mr. Tsui Wing Tak (Note 2)	Beneficial owner	129,200(L)	0.83%

*Notes:*

1. "L" denotes long position.
2. As at the Latest Practicable Date, each of the option holders holds 129,200 share options which were granted on 10 January 2022 pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Mr. Chow Yik and Mr. Tsui Wing Tak are taken to be interested in the underlying Shares that they are entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

**ii. Substantial shareholders and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET**

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 March 2022 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

**5. DIRECTORS' INTERESTS IN COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**7. LITIGATION**

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

## 8. MATERIAL CONTRACTS

The following material 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 members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

- (i) the Placing Agreement;
- (ii) the placing agreement dated 31 May 2022 entered into between the Company and the Grand China Securities Limited in relation to the placing of up to 77,759,999 Shares on a best efforts basis, at the placing price of HK\$0.038 per placing share. For further details, please refer to the announcement of the Company dated 31 May 2022;
- (iii) the placing agreement dated 15 December 2021 entered into between the Company and the Orient Securities Limited in relation to the placing of up to 28,800,000 Shares on a best efforts basis, at the placing price of HK\$0.12 per placing share. For further details, please refer to the announcement of the Company dated 15 December 2021; and
- (iv) the conditional placing agreement dated 23 June 2021 entered into between the Company and the Grand China Securities Limited in relation to the placing of shares of the Company for the rights issue previously conducted by the Company as announced on 23 June 2021 and completed in September 2021. For further details, please refer to the announcement of the Company dated 23 June 2021.

## 9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular (the “**Experts**”):

<b>Name</b>	<b>Qualification</b>
Mazars CPA Limited	Certified Public Accountant
Kingsway Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of above Experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of above Experts didn't not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.

## 10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Board of Directors	<i>Executive Directors</i> Mr. Chow Yik Mr. Tsui Wing Tak
	<i>Independent Non-Executive Directors</i> Mr. Chan Kwan Yung Mr. Chong Alex Tin Yam Ms. Lau Man Kei
Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit 3205, 32/F, West Tower Shun Tak Centre No. 168–200 Connaught Road Central Hong Kong
Compliance officer	Mr. Chow Yik
Authorised representatives	Mr. Chow Yik Mr. Chan Chiu Hung Alex
Company secretary	Mr. Chan Chiu Hung Alex
Financial Adviser	Gransing Securities Co., Limited Unit 4103, 41/F Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

Auditors and reporting accountants	Mazars CPA Limited 42/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Legal adviser to the Company as to Hong Kong laws	David Fong & Co. Unit A, 12/F, China Overseas Building 139 Hennessy Road Wanchai, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Kingsway Capital Limited 7/F, Tower 1, Lippo Centre 89 Queensway Hong Kong
Placing Agent	Excalibur Global Financial Group Limited Unit 3711, 37/F, West Tower Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Principal bankers	Fubon Bank (Hong Kong) Limited DBS Bank (Hong Kong) Limited
Hong Kong share registrar and transfer office	Union Registrars Limited Suites 3301–04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal share registrar and transfer office in Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Stock Code	8428
Company Website	<a href="http://www.cbk.com.hk">www.cbk.com.hk</a>

## 11. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and placing all Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.68 million, which are payable by the Company.

## 12. PARTICULARS OF DIRECTORS OF THE COMPANY

### Executive Director

**Mr. Chow Yik**, aged 41, 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. Tsui Wing Tak**, aged 54, 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. He has over 27 years of extensive experience in corporate finance and accounting.

### Independent non-executive Directors

**Mr. Chan Kwan Yung**, aged 60, possesses over 28 years corporate management especially on sales management. Mr. Chan also has its own wine trading and wholesaling business. He received a Diploma of Structural Engineering from British Columbia Institute of Technology.

**Mr. Chong Alex Tin Yam**, aged 51, has cultivated nearly 22 years of entertainment, investment and financial advisory experiences in the Greater China, Japan, South Korea, Singapore and the United States of America (the “US”) markets. From 2016 to 2018, he was the chief executive officer and executive director of Asia Fashion Holdings Limited, a company listed on the Main Board of the Singapore Stock Exchange in 2008 and delisted in September 2020. From 2013 to 2016, he was the director of Viriathus Capital LLC overseeing the US based investment bank's Asia operation. From 2006 to 2008, he was a non-executive director of NutryFarm International Limited (formerly known as LottVision Limited), a company listed on the Main Board of the Singapore Stock Exchange (SGX:AZT). He received a Bachelor of Commerce Degree in Finance with honour from the University of Toronto and is a Certified Management Accountant (Australia).

**Ms. Lau Man Kei**, aged 34, possesses over 11 years of accounting and audit experiences in Hong Kong. Currently, she is a director of CAN (HK) CPA Limited. From December 2016 to August 2020, she was the assistant financial controller of Kirin Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8109). From March 2011 to November 2016, she was senior auditor of SHINEWING (HK) CPA Limited.

#### **Company secretary**

**Mr. Chan Chiu Hung Alex**, aged 56, 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.

#### **Business address of the Directors**

The business address of the Directors is same as the Company's principal place of business in Hong Kong at Unit 3205, 32/F, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong.

### **13. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the "**Audit Committee**") comprised all of the independent non-executive Directors, namely Mr. Chong Alex Tin Yam (the chairman of the Audit Committee), Mr. Chan Kwan Yung and Ms. Lau Man Kei. 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. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbk.com.hk](http://www.cbk.com.hk)) from the date of this circular up to and including the date of the EGM:

- (i) the letter from the Board, the text of which is set out on pages 10 to 34 of this circular;
- (ii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 35 of this circular;
- (iii) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 36 to 64 of this circular;
- (iv) the accountant's report on the unaudited pro forma financial information of the Group issued by Mazars CPA Limited, the text of which is set out in Appendix II to this circular; and
- (v) the written consents referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix.

**15. LANGUAGE**

In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

**16. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company. Therefore, no financial instrument was made to hedge such exposures.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### CBK Holdings Limited

### 國茂控股有限公司

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

**(Stock Code: 8428)**

#### 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 Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on 3 May 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions which will be proposed as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the allotment and issue of up to 79,049,995 new Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before 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\$0.265 per Rights Share (the “**Subscription Price**”) on the basis of five (5) Rights Shares for every one (1) Share held by the Shareholders (“**Qualifying Shareholders**”) whose names appeared on the register of members of the Company on 16 May 2023, 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**”), as described in further details in a circular issued by the Company dated 14 April 2023 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), 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 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) (“**Non-Qualifying 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;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) the placing agreement dated 6 March 2023 (the “**Placing Agreement**”) and entered into between the Company and Excalibur Global Financial Group Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying 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;
- (c) 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 Non-Qualifying 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
- (d) any one or more Directors be and is/are 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/they may in his/her/their 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.”

2. “To re-elect Ms. Lau Man Kei as an independent non-executive Director.”

Hong Kong, 14 April 2023

*Notes:*

1. The register of members of the Company will be closed from 26 April 2023 to 3 May 2023 (both day inclusive) for the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the Meeting (or any adjournment thereof). During the closure of the register of members of the Company, no transfer of Shares will be effect. In order to qualify for attending and voting at the Meeting (or any adjournment thereof), all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar and transfer office, 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 25 April 2023.
2. All resolutions at the Meeting (or any adjournment thereof) will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the GEM Listing Rules.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. Any member of the Company entitled to attend and vote at the Meeting (or any adjournment thereof) is entitled to appoint one, or if he holds two or more shares, appoint more than one proxy to attend and vote instead of him. A proxy needs not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
4. Where there are joint holders of any Share, any one of such joint holder may vote at the Meeting (or at any adjournment thereof), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the Meeting (or at any adjournment thereof) personally or by proxy, that the vote of the senior holder 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 of the Company in respect of the joint holding.
5. In order 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 that power or authority, must be deposited at the office of the Company's branch share registrar and transfer office, 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 the holding of the Meeting (i.e. by 11:00 a.m. on 1 May 2023) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) if he/she/it so desires. If a member of the Company attends the Meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed to have been revoked.
7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will post an announcement on the websites of the Company at [www.cbk.com.hk](http://www.cbk.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the date, time and place of the rescheduled meeting.

*As at the date of this notice, the Board comprises Mr. Chow Yik and Mr. Tsui Wing Tak as executive Directors; and Mr. Chan Kwan Yung, Mr. Chong Alex Tin Yam and Ms. Lau Man Kei as independent non-executive Directors.*