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創輝珠寶集團控股有限公司
Chong Fai Jewellery Group Holdings Company Limited
(formerly known as Dominate Group Holdings Company Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8537)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF
13% ISSUED SHARE CAPITAL OF THE TARGET COMPANY;
AND
(2) CHANGE IN USE OF PROCEEDS**

On 3 July 2020, after trading hours, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares, representing 13% of the total issued share capital of the Target Company at the Consideration, upon and subject to the terms and conditions of the Sale and Purchase Agreement.

Under the Sale and Purchase Agreement, (1) the Vendor has granted a Right of First Refusal to the Purchaser to purchase the shares or subscribe for new shares in the Target Company; (2) the Purchaser is granted with the right, immediately upon Completion, to appoint one director to the board of the Target Company; and (3) the Vendor grants the tenant of the existing tenancy agreement in respect of the Property, which is a wholly-owned subsidiary of the Company, the right to, at the sole discretion of the tenant, renew the existing tenancy agreement upon the expiry day for a term of up to five (5) years at a rent not less favorable than the then fair market rent for comparable premises of a similar size situated in the same district as the Property.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendor is the sole shareholder of the Target Company, holding the entire share capital of the Target Company. In addition, the Vendor is also the controlling shareholder of the Company as to 75% of its issued share capital. Accordingly, the Vendor is a connected person of the Company and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company for the purpose of the GEM Listing Rules.

As the relevant applicable percentage ratios for the Acquisition are less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Acquisition is on normal commercial terms, the connected transaction constituted by the Acquisition is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

Since Mr. Fu Chun Keung, Ms. Cheung Lai Yuk and Ms. Fu Wan Ling are deemed to be interested in 562,500,000 Shares (representing 75% share capital of the Company) held by the Vendor, each of them are regarded to have a material interest in the Acquisition and hence is required to abstain from voting in the Board meeting for the resolution(s) in relation to the Acquisition.

CHANGE IN USE OF PROCEEDS

Based on the Board's continuing assessment on and monitoring over the Group's development plan having regard to various factors including rapid changes in the retail and property market conditions in Hong Kong and the overall costs and expenses in property acquisition, the Board considers it appropriate to strengthen its retail presence and therefore resolved to change the use of proceeds as detailed in the section headed "Change in Use of Proceeds" in this announcement.

On 3 July 2020, after trading hours, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares, representing 13% of the total issued share capital of the Target Company at the Consideration, upon and subject to the terms and conditions of the Sale and Purchase Agreement.

Principal terms of the Sale and Purchase Agreement are set out below.

Date

3 July 2020

Parties

- (i) the Company; and
- (ii) the Vendor.

As at the date of this announcement, the Vendor is the sole shareholder of the Target Company, holding the entire share capital of the Target Company. In addition, the Vendor is also the controlling shareholder of the Company as to 75% of its issued share capital. Accordingly, the Vendor is a connected person of the Company.

Assets to be Acquired and the Consideration to be Paid

The Company has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares at the Consideration of HK\$8.9 million. The Sale Shares represent 13% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and at Completion.

Basis of the Consideration

The Consideration of HK\$8.9 million shall be payable by the Company to the Vendor in cash upon Completion. The Consideration was arrived at after arm's length negotiation between the parties to the Sale and Purchase Agreement on normal commercial terms with reference to the market value of the net assets of the Target Company of approximately HK\$67.1 million consisting of (i) the carrying value of the net assets of the Target Company prepared under Hong Kong Financial Reporting Standards as at 31 May 2020 of approximately HK\$6.0 million; and (ii) the valuation premium of the Property by an independent professional valuer of approximately HK\$61.1 million as at 31 May 2020.

The Directors (including the independent non-executive Directors, but excluding the Directors who are required to abstain from voting) consider the Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the shareholders as a whole.

The Right of First Refusal

Under the Sale and Purchase Agreement, the Vendor has granted a Right of First Refusal to the Purchaser to purchase the shares or subscribe for new shares in the Target Company subject to the provisions of the memorandum and articles of association of the Target Company. The Right of First Refusal provides that:

- (1) the Vendor shall first offer the shares of the Target Company to the Purchaser, by way of a notice (“**Transfer Notice**”) in writing to the Purchaser and the board of directors of the Target Company;
- (2) the Transfer Notice shall be irrevocable and shall contain information as to: (i) the number of shares the Vendor intends to transfer; (ii) the offer price of the relevant shares; (iii) the identity of the intended purchaser (the “**Proposed Transferee**”); and (iv) the payment terms of the proposed sale to the Proposed Transferee; and
- (3) the Purchaser shall notify the Vendor and the Board within thirty (30) business days from the service of the Transfer Notice (the “**Notice Period**”) in writing of its intention to either (i) purchase all or any part of the relevant shares following which the Vendor shall transfer such number of shares which the Purchaser intends to buy at such price and under such terms and conditions as indicated in the Transfer Notice; or (ii) not to purchase any of the shares under the Transfer Notice.

Management Rights

Under the Sale and Purchase Agreement, the Vendor and the Purchaser agreed that:

- (1) the Purchaser shall have the right to appoint one director of the board of directors of the Target Company, which shall consist of a total of four directors; and
- (2) unless otherwise agreed between the Vendor and the Purchaser in writing, any appointment of additional director(s) or removal of director(s) of the Target Company shall require unanimous approval by all the shareholders of the Target Company.

Rental Undertaking

Under the Sale and Purchase Agreement, the Vendor grants the tenant of the existing tenancy agreement in respect of the Property, which is a wholly-owned subsidiary of the Company, the right to, at the sole discretion of the tenant, renew the existing tenancy agreement upon the expiry day for a term of up to five (5) years at a rent not less favorable than the then fair market rent for comparable premises of a similar size situated in the same district as the Property.

Conditions Precedent

Completion of the Acquisition is conditional upon the fulfilment (or as appropriate, waiver) of the following conditions, inter alia:

- (1) the Directors' approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the GEM Listing Rules, the constitutional document of the Company and all applicable laws and regulations;
- (2) the Purchaser having completed the due diligence on the legal, financial, business and operation of the Target Company and its assets and being and remaining satisfied with the same in all material respects;
- (3) the representations and warranties under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects on or before Completion;
- (4) no Material Adverse Change having occurred on or before Completion; and
- (5) all other authorizations, approvals, consents, waivers and permits from regulatory authorities including but not limited to the Stock Exchange and Securities and Futures Commission of Hong Kong, which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked.

The Purchaser may in its absolute discretion at any time before Completion waive the aforesaid conditions (2) to (4) by notice to the Vendor and such waiver may be subject to such terms and conditions as determined by the Purchaser, and conditions (1) and (5) cannot be waived by the parties to the Sale and Purchase Agreement.

As at the date of this announcement, save for the conditions (2) to (5), all of the above conditions precedent have been fulfilled.

Completion

Completion shall take place on the business day agreed by the parties to the Sale and Purchase Agreement, which shall be within three (3) business days immediately following the satisfaction (or waiver) of all the conditions precedent (or such other date to be agreed by the parties thereto).

Upon Completion, the Target Company shall be owned as to 87% by the Vendor and 13% by the Company through the Purchaser. Since the Company can exercise significant influence over the board of directors of the Target Company in the following manners: (1) the Purchaser shall have the right to appoint one director of the board of directors of the Target Company, which shall consist of a total four directors; and (2) unless otherwise agreed between the Vendor and the Purchaser in

writing, any appointment of additional director(s) or removal of director(s) of the Target Company shall require unanimous approval by all the shareholders of the Target Company. Hence, the Company is able to maintain a stable shareholding percentage in the Target Company through its control over the Purchaser, the nature of 13% shareholding in the Target Company will be accounted for using equity method in accordance with Hong Kong Accounting Standard 28 in the consolidated financial statements of the Group after Completion.

INFORMATION ON THE TARGET COMPANY

The Target Company is Grand Wise Creation Limited (浩晉創建有限公司), a private company with limited liability incorporated under the laws of Hong Kong. As at the date of this announcement, the Target Company has issued a total of 100 shares of HK\$1.00 each, representing its entire issued share capital, which are wholly owned by the Vendor. The Target Company is principally engaged in investment holding. As at the date of this announcement, the Target Company has no subsidiaries, and save for the Property, it has no other major assets.

Financial Information of the Target Company

The unaudited net assets value of the Target Company as at 31 May 2020 is approximately HK\$6.0 million. The financial information of the Target Company is as follows:

	For the year ended 31 March 2019 (audited) <i>approximately</i> HK\$'000	For the year ended 31 March 2020 (unaudited) <i>approximately</i> HK\$'000
Revenue	1,704	1,704
Net profit before taxation	887	884
Net profit after taxation	806	790

Information of the Property

The Property is a commercial premises, which is located at Shop No.2 on G/F Incl. Cockloft Cheuk Ming Buildings 22-26 Cheung Lung Street 10-22 Tsuen Wan Market Street, Tsuen Wan, New Territories, Hong Kong. According to the valuation report issued by an independent professional valuer, the market value of the Property is HK\$75.0 million as at 31 May 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the retail of gem-set jewellery products and pure gold products through its network of seven retail stores strategically located in Kowloon and the New Territories in Hong Kong. Therefore, the location of retail stores and the rentals occurred therefrom are significant for the business operating and the performance of the Group.

The Board considers the location of the Property, which is currently used as a flagship store of the Company, is significant and strategic for the retailing business of the Group in Hong Kong. Upon entering into the Sale and Purchase Agreement, the Company can ensure a controllable increase in the rental cost of the Property for the forthcoming five years so as to stabilize the profit from the retailing business in Hong Kong. In addition, since the Company will acquire 13% share capital in the Target Company upon the Completion, the profit of the Target Company attributable to the Company can, to certain extent, set off the rental cost to be paid by the Company to the Target Company.

Rather than acquiring the entire equity interest in the Property by a one-off transaction, the acquisition of 13% equity interest in the Property can enable the Group to apply the unutilized net proceeds on other allocation purposes as further detailed in the below section.

In view of the above, the Board (including the independent non-executive Directors, but excluding the Directors who are required to abstain from voting) considers that the terms of the Sale and Purchase Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. Since Mr. Fu Chun Keung is the Vendor under the Acquisition, Ms. Cheung Lai Yuk and Ms. Fu Wan Ling are deemed to be interested in 562,500,000 Shares (representing 75% share capital of the Company) held by the Vendor pursuant to Part XV of the SFO, each of Mr. Fu Chun Keung, Ms. Cheung Lai Yuk and Ms. Fu Wan Ling is regarded to have a material interest in the Acquisition and hence is required to abstain from voting in the Board meeting for the resolution(s) in relation to the Acquisition.

Save as the above, none of other Directors is required to abstain from voting at the meeting of the Board to approve the resolution(s) in relation to the Acquisition.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendor is the sole shareholder of the Target Company, holding the entire share capital of the Target Company. In addition, the Vendor is also the controlling shareholder of the Company as to 75% of its issued share capital. Accordingly, the Vendor is a connected person of the Company and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company for the purpose of the GEM Listing Rules.

As the relevant applicable percentage ratios for the Acquisition are less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Acquisition is on normal commercial terms, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

CHANGE IN USE OF PROCEEDS

Reference is made to the announcement of the Company dated 25 March 2020 in relation to the changes in the use of proceeds from the listing of the shares of the Company on GEM of the Stock Exchange by way of share offer, the Company, among others, temporarily reallocated approximately HK\$16.1 million of the unutilized net proceeds (the “**Investment Portion**”) for investment purposes such as investing in blue-chip stocks, investment grade bonds and debentures in order to generate higher returns.

Based on the Board's continuing assessment on and monitoring over the Group's development plan having regard to various factors including the rapid changes in the retail and property market conditions in Hong Kong and the overall costs and expenses in property acquisition, the Board considers it appropriate to strengthen its retail presence and therefore resolved to reallocate part of the Investment Portion in the amount of HK\$8.9 million to finance the Acquisition.

The Board has considered the existing funding needs of the Group and is of the view that such change will enable the Group to optimize the use of the Group's financial resources and meet the Group's strategic business plan and operational needs more effectively and efficiently. The Board is also of the view that the above change in use of proceeds will benefit the operation and business development of the Group and is in the best interest of the Company and the shareholders as a whole.

The Board will continuously assess the plans for the use of net proceeds and may revise or amend such plans where necessary to respond to the changing market conditions and will strive to maximize the competitive edge of the Group.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares from the Vendor by the Company pursuant to the Sale and Purchase Agreement
“BVI”	the British Virgin Islands
“Board”	the board of Directors
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Company”	Chong Fai Jewellery Group Holdings Company Limited (formerly known as Dominate Group Holdings Company Limited), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration of HK\$8.9 million for the Sale Shares
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations, of the Target Company as a whole
“Property”	the property held by the Target Company, which is the major asset thereof
“Purchaser”	Depasser Group Holdings Company Limited, a company incorporated under the laws of the British Virgin Islands, of which its entire share capital is wholly owned by the Company
“Right of First Refusal”	the right of first refusal as described under the section headed “The Right of First Refusal” in this announcement

“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 July 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	collectively the 13 shares of the Target Company held by the Vendor, representing 13% of the entire issued share capital of the Target Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Grand Wise Creation Limited (浩晉創建有限公司), a private company with limited liability incorporated under the laws of Hong Kong and is wholly-owned by the Vendor as at the date of this announcement
“Vendor”	Mr. FU Chun Keung (傅鎮強)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Chong Fai Jewellery Group Holdings Company Limited
Fu Chun Keung
Chairman

Hong Kong, 3 July 2020

As at the date of this announcement, the executive Directors are Mr. Fu Chun Keung, Ms. Cheung Lai Yuk and Ms. Fu Wan Ling; and the independent non-executive Directors are Mr. Chan Chi Ming Tony, Mr. Chan Cheong Tat and Mr. Wong Wing Keung Meyrick.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the website of the Company at www.chongfaiholdings.com.