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

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 20% ISSUED SHARE
CAPITAL OF THE TARGET COMPANY

On 6 September 2022, after trading hours, the Purchaser, a direct wholly-owned subsidiary of the Company, 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 20% 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; and (2) the Vendor grants the tenant, which is an indirect wholly-owned subsidiary of the Company, of the existing tenancy agreement in respect of the Property the right to, at the sole discretion of the tenant, renew the existing tenancy agreement upon its expiry for a term of up to five (5) years at a rent not less favorable to the tenant than the then fair market rent for comparable premises of 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 shares of the Target Company is owned as to approximately 96 % by the Vendor and approximately 4% by Ms. Fu Wan Ling, the sister of the Vendor and a Director, respectively. In addition, the Vendor is also a controlling shareholder of the Company within the meaning of the GEM Listing Rules holding 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.

As (i) Mr. Fu Chun Keung is the Vendor under the Acquisition, (ii) Ms. Cheung Lai Yuk and Ms. Fu Wan Ling, being the spouse and sister of the Vendor respectively, 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.

On 6 September 2022, 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 20 % 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: 6 September 2022 (after trading hours)

Parties

- (i) Mr. Fu Chun Keung as Vendor; and
- (ii) Depasser Group Holdings Company Limited, a directly wholly-owned subsidiary of the Company as Purchaser.

As at the date of this announcement, the shares of the Target Company is owned as to approximately 96 % by the Vendor and approximately 4% by Ms. Fu Wan Ling, the sister of the Vendor and a Director, respectively. In addition, the Vendor is also a controlling shareholder of the Company within the meaning of the GEM Listing Rules holding 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.

Assets to be Acquired and the Consideration to be Paid

The Purchaser 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 20% 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 Purchaser 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\$44.1 million consisting of (i) the net liabilities value of the Target Company prepared under Hong Kong Financial Reporting Standards as at 31 July 2022 of approximately HK\$4.3 million; and (ii) the valuation premium of the Property by an independent professional valuer of approximately HK\$48.4 million as at 31 July 2022.

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) In the event that the Vendor purports to transfer his shares in the Target Company, he shall first offer his shares to the Purchaser (the “**Offer**”), by way of a notice (“**Transfer Notice**”) in writing to the Purchaser and the board of directors of the Target Company (the “**Target Board**”);
- (2) the Transfer Notice shall be irrevocable and shall contain information as to: (i) the number of shares the Vendor intend 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 Target 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.

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 an indirect wholly-owned subsidiary of the Company, the right to, at the sole discretion of the tenant, renew the existing tenancy agreement upon its expiry for a term of up to five (5) years at a rent not less favorable to the tenant than the then fair market rent for comparable premises of similar size situated in the same district as the Property.

Conditions Precedent

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

- (1) the Directors’ passing an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated hereunder 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 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 condition (1) and (5) cannot be waived by the parties of the Sale and Purchase Agreement.

As at the date of this announcement, conditions precedent (1) and (2) 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).

Upon Completion, the shares of the Target Company shall be owned as to approximately 76% by the Vendor, approximately 4% by Ms. Fu Wan Ling, the sister of the Vendor and a Director, and 20% by the Company through the Purchaser. The Company is able to maintain a stable shareholding percentage in the Target Company through its control over the Purchaser, and the nature of 20% shareholding in the Target Company will be accounted for using equity method in the consolidated financial statements of the Group after Completion.

INFORMATION ON THE TARGET COMPANY

The Target Company is Dia Myth Jewelry (MFY) Co., Limited (卓薈珠寶有限公司), 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 10,000 shares of HK\$1.00 each, representing its entire issued share capital, which is owned as to approximately 96 % by the Vendor and approximately 4% by Ms. Fu Wan Ling, the sister of the Vendor and a Director, respectively. 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 liabilities value of the Target Company as at 31 July 2022 is approximately HK\$4.3 million. The financial information of the Target Company is as follows:

	For the year ended 31 March 2021 (audited) approximately HK\$'000	For the year ended 31 March 2022 (unaudited) approximately HK\$'000
Revenue	1,260	1,260
Net profit before taxation	1,020	1,678
Net profit after taxation	921	1,514

Information of the Property

The Property is a commercial premise, which is located at Shop Nos.6-13 on Ground Floor, Faerie Court, Nos.72, 72A, 72B, 72C, 72D, 74, 76, 78, 82, 84, 86 and 88 Ko Shan Road and No.9 Kiang Hsi Street, Kowloon, Hong Kong. According to the valuation report issued by an independent professional valuer, the market value of the Property is HK\$60.0 million as at 31 July 2022.

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 and gold jewellery 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 arising therefrom are significant for the business operation and the performance of the Group.

The Board considers the location of the Property, which is currently used as office for the headquarter and show room for online business of the Company, is significant and important for the online 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 if the Target Company renews the existing tenancy agreement with Chong Fai Group Holdings Company Limited, an indirect wholly owned subsidiary of the Company and the tenant of the existing tenancy agreement, so as to stabilise the profit from the online business in Hong Kong. In addition, since the Company will, through the Purchaser, acquire 20% share capital in the Target Company upon Completion, the profit of the Target Company attributable to the Company can, to certain extent, set off the rental cost to be paid by Chong Fai Group Holdings Company Limited to the Target Company.

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, being the spouse and sister of the Vendor respectively 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 shares of the Target Company is owned as to approximately 96 % by the Vendor and approximately 4% by Ms. Fu Wan Ling, the sister of the Vendor and a Director, respectively. In addition, the Vendor is also the controlling shareholder of the Company within the meaning of the GEM Listing Rules holding 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.

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 Purchaser pursuant to the Sale and Purchase Agreement
“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, 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)”	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 6 September 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	collectively the 2,000 shares of the Target Company held by the Vendor, representing 20 % of the entire issued share capital of the Target Company as at the date of this announcement
“SFO”	Securities and Futures Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Dia Myth Jewelry (MFY) Co., Limited (卓薈珠寶有限公司), a private company with limited liability incorporated under the laws of Hong Kong and is owned as to approximately 96% by the Vendor and approximately 4% by Ms Fu Wan Ling (傅雲玲) 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, 6 September 2022

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.