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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)

**PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR
EVERY ONE (1) SHARE HELD ON RECORD DATE; AND
PLACING UNDER SPECIFIC MANDATE**

Placing Agent



Independent Financial Adviser



Capital 9 Limited

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company from HK\$15,000,000 divided into 150,000,000 Shares with a par value of HK\$0.1 each to HK\$750,000,000 divided into 7,500,000,000 Shares with a par value of HK\$0.1 each by creating an additional 7,350,000,000 unissued Shares with a par value of HK\$0.1 each to rank pari passu in all respects with the existing Shares. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to the Increase in Authorised Share Capital having become effective, to conduct the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise up to approximately HK\$27,000,000 before expenses by way of issuing up to 225,000,000 Rights Shares (assuming no further issue or repurchase of Shares up to and including the Record Date).

Assuming no further issue or repurchase of Shares up to and including the Record Date, the 225,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 300% of the total number of issued Shares and approximately 75% of the total number of Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all the Rights Shares will be taken up by the Qualifying Shareholders and/or placed pursuant to the Placing Agreement). The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares, and 123,750,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation. There will be excess application arrangement in relation to the Rights Issue. Any Rights Shares which remain unsold after the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The estimated net proceeds of the Rights Issue (after deduction of expenses) if the Rights Issue is subscribed in full is expected to amount to approximately HK\$26,000,000 (assuming no further issue or repurchase of Shares up to and including the Record Date). Details of the use of proceeds are set out in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this announcement.

PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE

On 25 June 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best-efforts basis, Placees to subscribe for the Placing Shares (i.e., the Untaken Shares and the ES Unsold Rights Shares) on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue whether through the PAL(s) and/or EAF(s), the Placing will not proceed.

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

The Rights Issue will proceed on a non-underwritten basis and there are no requirement under the laws of the Cayman Islands and the Company’s memorandum and articles of association for a minimum level of subscription or minimum amount of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level, and 123,750,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the sections headed “Conditions of the Rights Issue” and “Conditions of the Placing” in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Shares or in the Nil-Paid Rights from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

GEM LISTING RULES IMPLICATIONS

The Increase of Authorised Share Capital

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

The Rights Issue

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at 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 executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, 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 such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

A circular containing, among other things, (i) further details of the Increase in Authorised Share Capital, the Rights Issue and the Placing; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue and the Placing; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before Wednesday, 17 July 2024.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will dispatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Prospectus will also be despatched to the Excluded Shareholders for their information only. For the avoidance of doubt, the Excluded Shareholders are entitled to attend and vote at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company from HK\$15,000,000 divided into 150,000,000 Shares with a par value of HK\$0.1 each to HK\$750,000,000 divided into 7,500,000,000 Shares with a par value of HK\$0.1 each by creating an additional 7,350,000,000 unissued Shares with a par value of HK\$0.1 each to rank pari passu in all respects with the existing Shares. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

The Board believes that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date. Set out below are the details of the Rights Issue statistics.

Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) Share in issue at the close of business on the Record Date
Subscription Price:	HK\$0.12 per Rights Share
Net price per Rights Share:	Approximately HK\$0.12 per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue)
Number of Shares in issue as at Last Trading Day:	75,000,000 Shares

Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 225,000,000 Rights Shares (assuming no further issue or repurchase of Shares up to and including the Record Date)
Total number of Shares in issue upon completion of the Rights Issue:	Up to 300,000,000 Shares (assuming no further issue or repurchase of Shares up to and including the Record Date)
Undertaking Rights Shares:	123,750,000 Rights Shares, being the aggregate number of Rights Shares undertaken to be subscribed by MGH Limited under the Irrevocable Undertaking
Aggregate nominal value of the Rights Shares:	Up to approximately HK\$22,500,000 (assuming no further issue or repurchase of Shares up to and including the Record Date)
Gross proceeds from the proposed Rights Issue:	HK\$27,000,000
Right of excess applications:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment. There will be no compensatory arrangements in relation to the Rights Issue.

Assuming no further issue or repurchase of Shares up to and including the Record Date, the 225,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 300% of the total number of issued Shares and approximately 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all the Rights Shares will be taken up by the Qualifying Shareholders and/or placed pursuant to the Placing Agreement).

As of the date of this announcement, 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. The Company has no intention to issue or grant any Shares, convertible securities, warranties, and/or options on or before the Record Date.

The Subscription Price

The Subscription Price of HK\$0.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the Nil-Paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 32.2% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 32.6% to the average closing price of HK\$0.178 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 38.1% to the average closing price of approximately HK\$0.194 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 10.4% to the theoretical ex-rights price of approximately HK\$0.134 per Share based on the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 24.6%, represented by the theoretical diluted price of approximately HK\$0.135 per Share to the benchmarked price of approximately HK\$0.179 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\$0.177 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of approximately HK\$0.179 per Share);
- (vi) a discount of approximately 87.4% to the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.95 per Share (based on the latest published audited consolidated net asset value attributable to owners of the Company of approximately HK\$70,924,000 as at 31 March 2024 as disclosed in the annual results announcement of the Company for the year ended 31 March 2024 and 75,000,000 Shares in issue as at the Last Trading Day).

The theoretical diluted price, the benchmarked price, and theoretical dilution effect for the Rights Issue are approximately HK\$0.135 per Share, HK\$0.179 per Share, and 24.6%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined with reference to, among others, the market price of the Shares under the prevailing market conditions and the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this announcement. The Board considers that 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.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (i) the passing by the Shareholders at the EGM of the resolution(s) to approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder;
- (ii) the electronic submission of the Prospectus Documents for authorization by the Stock Exchange and registration by the Companies Registry of Hong Kong not later than the Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purposes only, explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations;
- (vi) there shall not have occurred and be continuing any of the following:
 - (a) any change in market conditions or combination of circumstances in Hong Kong (including, without limitation, suspension or material restriction on trading in securities) occurs which, in the absolute opinion of the Company, materially affects the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the Nil-Paid Rights) or otherwise, in the absolute opinion of the Company, makes it inexpedient, inadvisable, or inappropriate for the Company to proceed with the Rights Issue;or

- (b) any event of force majeure occurs, including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which materially adversely affects the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole or the Rights Issue; or
- (c) any other material adverse change occurs in relation to the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole, whether or not of the same kind as any of the foregoing; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue;
- (e) the Placing Agreement not being terminated.

Save for condition (vi), which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

Status of the Rights Shares

The Rights Shares, when allotted, fully paid, or credited as fully paid and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions that may be declared, made, or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares, in both their nil-paid and fully-paid forms, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy, or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is exclusively available to Qualifying Shareholders. To be eligible for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must not be an Excluded Shareholder. To ensure registration as members of the Company on the Record Date, all transfers of Shares (along with the relevant share certificate(s) and/or instrument(s) of transfer) must be submitted for registration to the Registrar in Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, 13 August 2024. It is anticipated that the last day of trading the Shares on a cum-rights basis will be Friday, 9 August 2024, and the Shares will be traded on an ex-rights basis starting from Monday, 12 August 2024. Upon the registration of the Prospectus Documents in compliance with applicable laws and regulations, the Company will dispatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Prospectus, without the PAL and the EAF, will be sent to the Excluded Shareholders solely for their information.

Closure of register of members

The register of members of the Company will be closed for determining entitlements to the Rights Issue from Wednesday, 14 August 2024, to Tuesday, 20 August 2024 (both days inclusive). During this period, no transfer of Shares will be registered.

Basis of provisional allotments

The Rights Shares will be allocated based on the ratio of three (3) Rights Shares for every one (1) Share held by Qualifying Shareholders as of the close of business on the Record Date.

To apply for the provisional allotment, Qualifying Shareholders should complete a PAL and submit it to the Registrar along with the payment for the Rights Shares being applied for by the Latest Time for Acceptance.

Qualifying Shareholders who fully take up their pro rata entitlement will not experience any dilution of their interests in the Company, except for any dilution resulting from the allocation of fractional entitlements to third parties. However, if a Qualifying Shareholder does not fully subscribe to their entitlement under the Rights Issue, their proportionate shareholding in the Company will be diluted.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue, as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and conduct necessary inquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders (if any) in accordance with the laws of relevant overseas jurisdictions and the requirements of regulatory bodies or stock exchanges. If, based on legal advice, the Board determines that it is necessary or expedient not to offer the Rights Shares to any Overseas Shareholders due to legal restrictions in their registered address(es) or the requirements of relevant overseas regulatory bodies or stock exchanges, no provisional allotment of Nil-Paid Rights or fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding any Excluded Shareholders from the Rights Issue will be stated in the Prospectus.

Arrangements will be made to sell the Rights Shares, which would have been provisionally allotted to the Excluded Shareholders, in their nil-paid form as soon as practicable after the commencement of trading in the Nil-Paid Rights, if a premium (net of expenses) can be obtained. The proceeds from such sale, after deducting expenses and stamp duty, will be paid pro rata (rounded down to the nearest cent) to the respective Excluded Shareholders in Hong Kong dollars. However, the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that their entitlement to the Rights Issue may or may not be granted, depending on the results of inquiries made by the Directors in accordance with Rule 17.41(1) of the GEM Listing Rules. Therefore, Overseas Shareholders should exercise caution when dealing with the Shares.

Application for the excess Rights Shares

Qualifying Shareholders have the right to apply, through excess application, for the following: (i) the Rights Shares that represent the entitlement of the Excluded Shareholders and cannot be sold at a net premium; (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or unsubscribed by transferees of the Nil-Paid Rights; (iii) any unsold Rights Shares created by adding together fraction of the Rights Shares (if any); and (iv) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any). To apply for the excess Rights Shares, applicants should complete the EAF and submit it along with a separate payment for the excess Rights Shares being applied for.

The Board will allocate the excess Rights Shares at its discretion but on a fair and equitable basis, as far as practicable, following these principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result;
- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders; and
- (iii) pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Shares is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Beneficial owners of Shares whose shares are held by a nominee company (including HKSCC Nominees Limited) should note that, for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in the name of nominee companies should note that the aforementioned arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. They are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 13 August 2024.

Taxation

The Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasized 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.

Certificates of the Rights Shares and refund cheques for the Right Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 26 September 2024, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 26 September 2024, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefit and interests of the Company and more particularly described in the paragraph headed “Application for excess Rights Shares”.

Odd lot arrangement

No odd lot matching services will be provided.

The Irrevocable Undertaking

As at the date of this announcement, the Board has received the Irrevocable Undertaking given by MGH Limited, which is interested in an aggregate of 41,250,000 Shares, representing approximately 55% of the issued Shares.

Pursuant to the Irrevocable Undertaking, MGH Limited irrevocably undertook to the Company that (i) it will, subscribe for an aggregate of 123,750,000 Rights Shares which comprise the full acceptance of MGH Limited’s provisional entitlement in respect of the 41,250,000 Shares beneficially held by MGH Limited; and (ii) it will not dispose of its current shareholding in the Company, and such Shares will remain held by it, up to and including the date of completion of the Rights Issue or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier. As at the date of this announcement, MGH Limited is controlled by Mr. Fu, the chairman of the board of directors of the Company and an executive Director.

Apart from the Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from other Shareholders regarding their intentions concerning the Rights Shares allotted to them under the Rights Issue as of the date of this announcement.

The Irrevocable Undertaking is subject to the Scaling-down and the Public Float Requirement.

The Rights Issue on a non-underwritten basis

As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of their entitlement under PAL or applies for excess Rights Shares under EAF or by transferees of the Nil-Paid Rights may unknowingly trigger an MGO Obligation, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Therefore, the Rights Issue will be conducted under the condition that the Company will, in accordance with Rule 10.26(2) of the GEM Listing Rules, allow Shareholders to apply based on the understanding that if the Rights Shares are not fully taken up, the applications of any Shareholder for their entitlement under PAL or for excess Rights Shares under EAF or by transferees of the Nil-Paid Rights can be scaled down to a level that avoids triggering an MGO Obligation. Subscription funds for the Scaled-down PAL Shares or Scaled-down EAF Shares will be refunded to the applicants, and those shares will be made available for subscription by other Qualifying Shareholders through EAF(s).

The scaling-down of applications for Rights Shares will be conducted in a fair and equitable manner, guided by the following principles: (a) EAF(s) will be scaled down before PAL(s); (b) if the scale-down is necessary due to an exceeding of shareholding by a group of Qualifying Shareholders acting in concert (referred to as the “**Affected Group(s) of Shareholders**”) rather than an individual Qualifying Shareholder, the allocations of EAF(s) and PAL(s) to members of the Affected Group(s) of Shareholders will be determined based on the number of Shares held by the affected applicants on the Record Date; and (c) the allocations of EAF(s) and PAL(s) to different Affected Group(s) of Shareholders and/or affected individual Qualifying Shareholders will be made based on the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date.

The Rights Issue will proceed on a non-underwritten basis, regardless of the level of acceptance of the provisionally allotted Rights Shares. A total of 123,750,000 Rights Shares are committed to be subscribed, subject to any scaling-down required to avoid the MGO Obligation if necessary. If the Rights Issue is not fully subscribed, any Rights Shares not taken up by Qualifying Shareholders or holders of the Nil-Paid Rights, along with the ES Unsold Rights Shares, will be placed with independent Placers on a best-efforts basis through the Placing. Untaken Shares and ES Unsold Rights Shares that are not placed will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly.

The legal advisers of the Company have confirmed that there are no requirements under the laws of Cayman Islands and the Company’s constitutional documents regarding minimum subscription levels and amount in respect of the Rights Issue.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be in board lots of 10,000 Rights Shares, which are registered in the register of members of the Company, and subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE

The Placing

On 25 June 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best-efforts basis, Placees to subscribe for the Placing Shares (i.e. the Untaken Shares and the ES Unsold Rights Shares) on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue through the PAL(s) and/or EAF(s), the Placing will not proceed.

Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Placing Agent : First Shanghai Securities Limited, an indirect wholly owned subsidiary of First Shanghai Investments Limited, a company listed on the Stock Exchange with stock code 227.

The Placing Agent confirms that it and its ultimate controlling shareholder(s) are Independent Third Parties.

- Placing commission and expenses : (a) A commission of 1% of the aggregate placing price in respect of the actual subscription number of Placing Shares subscribed or procured to be subscribed by the Placing Agent pursuant to the terms of the Placing Agreement, or HK\$130,000 whichever is higher, and unless previously paid by the Company, any amount due to the Placing Agent hereunder may be deducted from the proceeds of the Rights Issue to be paid by the Placing Agent to the Company; and
- (b) all costs, fees and out-of-pocket expenses reasonably incurred by the Placing Agent in the performance of its obligations under the Placing Agreement (if any) in actual incurrence or accrual basis.

The amount referred to in item (a) shall not be payable if the Placing Agreement does not become unconditional or if it is terminated by the Placing pursuant to the Placing Agreement. For the avoidance of doubt, the Company shall be responsible to reimburse to the Placing Agent the costs and fees reasonably incurred prior to such rescission or termination.

Placing Price : The placing price of each of the Placing Share shall be the Subscription Price (i.e. HK\$0.12 per Placing Share).

Placing Period : The Placing Period shall commence on Thursday, 12 September 2024, and end on the Placing End Date (i.e., Thursday, 19 September 2024) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

Placees : The Placing Agent shall ensure that the Placing Shares are placed only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be (i) the Independent Third Parties; (ii) such that no placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under an MGO Obligation as a result of the Placing.

Ranking : The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

Placing Shares

The number of Placing Shares shall be equivalent to the number of Untaken Shares and ES Unsold Rights Shares, being the difference between (i) the total number of Rights Shares available for subscription as at the Record Date; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders whether under the PAL(s) or EAF(s).

Excluding the Rights Shares which MGH Limited will take up in accordance with the Irrevocable Undertaking, and assuming (i) no further issue or repurchase of Shares up to and including the Record Date; and (ii) no Qualifying Shareholder subscribes for any Rights Shares, the maximum number of Placing Shares will be 101,250,000 Shares, representing approximately 135% of the total number of issued Shares and approximately 33.75% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Placing Price

For the avoidance of doubt, the Placing will proceed only if the Rights Shares are not fully subscribed and validly taken up. The placing price of HK\$0.12 per Placing Share shall be the same as the Subscription Price and represents:

- (i) a discount of approximately 32.2% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 32.6% to the average closing price of HK\$0.178 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 38.1% to the average closing price of approximately HK\$0.194 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 10.4% to the theoretical ex-rights price of approximately HK\$0.134 per Share based on the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect of approximately 24.6% represented by the theoretical diluted price of approximately HK\$0.135 per Share to the benchmarked price of HK\$0.179 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price of HK\$0.177 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of HK\$0.179 per Share); and

- (vi) a discount of approximately 87.4% to the audited consolidated net asset value of the Company of approximately HK\$0.95 per Share (based on the latest published audited consolidated net asset value attributable to owners of the Company of approximately HK\$70,924,000 as at 31 March 2024 as disclosed in the annual results announcement of the Company for the year ended 31 March 2024 and 75,000,000 Shares in issue as at the Last Trading Day).

As stated above, the Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. In particular, the Directors considered that priority would be given to the Qualifying Shareholders to subscribe for the Rights Shares from their provisional allotments and excess applications under the Rights Issue. Should the Qualifying Shareholders not participate in the Rights Issue and there remains any Untaken Shares and ES Unsold Rights Shares, the Placing provides an equal opportunity for potential investors to invest in the Company so as to enable the Company to raise sufficient funds.

The Directors are also of the view that if the placing price is set higher than the Subscription Price, it would adversely affect the results of the Placing as investors could otherwise acquire the Shares in the open market before the Record Date and participate in the Rights Issue at the Subscription Price.

Therefore, although the placing price represents a discount of 32.96% to the benchmarked price of HK\$0.179 per Share (as defined under Rule 10.44A of the GEM Listing Rules), having balanced the interests of the Company, the Shareholders and investors who would like to participate in the Group's future development, the Directors consider that the terms of the Placing, including the placing price and the placing commission, are on normal commercial terms, fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (a) the passing of necessary resolution(s) at the EGM to approve, among other things, the Increase in Authorised Share Capital, Rights Issue, and the Placing (including the Specific Mandate) by the Shareholders;
- (b) the Increase in Authorised Share Capital of the Company having become effective;
- (c) the electronic submission of the Prospectus Documents for authorization by the Stock Exchange and registration by the Companies Registry of Hong Kong not later than the Posting Date;
- (d) posting of the Prospectus Documents to the Qualifying Shareholders and posting of Prospectus for information only to the Excluded Shareholders on or before the Posting Date;

- (e) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (including the Placing Shares), in nil-paid and fully-paid forms;
- (f) the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement on or before the Placing Long Stop Date; and
- (g) the representation, warranties and undertakings of the Company as set out in the Placing Agreement remain true and accurate in all material respects.

The Placing Agent may at any time by notice in writing to the Company waive the Conditions Precedent set out in item (g). Save and except the Conditions Precedent set out in item (g), the other Conditions Precedent are incapable of being waived.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Thursday, 12 September 2024, or such other date as the Company may announce. The Placing Period shall end on Thursday, 19 September 2024, or such other date as the Company may announce.

The latest time for the fulfilment of conditions/termination/the Placing of the/under Placing Agreement shall be 4:00 p.m. on Thursday, 19 September 2024 or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

If all the Rights Shares are already fully taken up in the Rights Issue through valid applications by PAL(s) and/or EAF (s), the Placing will not proceed.

Termination

If the Conditions Precedent as set out in the section headed “Placing of Placing Shares under Specific Mandate – Conditions of the Placing” of this announcement, are not satisfied and/or waived in whole or in part by the Placing Agent by the Placing Long Stop Date or such other date as the Company and the Placing Agent may agree, the Placing Agreement shall terminate.

Subject to the provision of the Placing Agreement, the Placing Agent's obligations under the Placing Agreement shall also terminate if, before the Latest Time for Acceptance, PAL and EAF in respect of all Rights Shares have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or bankers' cashier orders or other remittances for the full amount payable thereunder which are honoured on first or, at the discretion of the Placing Agent, subsequent presentation (the Rights Shares comprised in PAL (and EAF, as the case may be) which are so lodged together with such remittances are herein referred to as having been "accepted") and there are no Scale-down PAL Shares and/or Scale-down EAF Shares.

If, at any time prior to the Placing Long Stop Date, there occurs, in the reasonable opinion of the Placing Agent:

- (a) any of the following which will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudices the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
 - (ii) the occurrence, happening, coming into effect or becoming public knowledge of (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten consecutive Business Days (other than pending publication of the Announcement or any other document relating to the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof; or
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Placing Agent will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or

- (c) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, military conflict, strike or lock-out which in the reasonable opinion of the Placing Agent materially or adversely affects the business or financial or trading position or prospects of the Group as a whole;
- (d) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Placing Agreement which, in the reasonable opinion of the Placing Agent, is or might be material to the Group taken as a whole; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing,

the Placing Agent shall be entitled by notice in writing issued by the Placing Agent to the Company, served prior to the Placing Long Stop Date, to terminate the Placing Agreement.

If, at or prior to the Placing Long Stop Date:

- (a) the Company commits any material breach of or omits to materially observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Placing Agreement, where, in the reasonable opinion of the Placing Agent, such breach or omission will or is likely to have a material and adverse effect on its business, financial or trading prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (b) the Placing Agent shall receive notification under the Placing Agreement, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in Placing Agreement was, when given, untrue or inaccurate or incomplete or would be untrue or inaccurate if repeated as provided, and the Placing Agent shall, in its reasonable discretion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (c) the Company's application to the Listing Committee of the Stock Exchange for the permission for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange; or
- (d) any condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused; or

- (e) any statement contained in this announcement or any Prospectus Document has been shown to be untrue or, inaccurate, incomplete in any material respect or misleading with reference to the date on which such statement was made; or
- (f) the Company shall, after any Specified Event has occurred or come to the Placing Agent's attention, fail to send out promptly any announcement or circular (after the despatch of the Prospectus Documents) in accordance with applicable requirements under the Listing Rules and/or applicable laws for the purpose of preventing the creation of a false market in the securities of the Company,

the Placing Agent shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement and rescind the Placing Agreement. Any such notice shall only be served by the Placing Agent prior to the Placing Long Stop Date.

Application for listing

The Company will apply to the Stock Exchange for the approval for the listing of, and permission to deal in, the Placing Shares.

Status of Placing Shares

The Placing Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Placing Shares.

Completion of Placing

Subject to the fulfilment of conditions of the Placing as set out in the section headed "Placing of Placing Shares under Specific Mandate – Conditions of the Placing" of this announcement, completion of the Placing is expected to take place on the Placing Completion Date.

The engagement between the Company and the Placing Agent of the Placing Shares was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms after considering (i) the prevailing market conditions; (ii) the funding requirements of the Group as detailed in the section headed "Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds"; and (iii) the Subscription Price. In particular, the Directors, taking into account the range of placing commission for recent rights issues conducted by issuers listed on the Stock Exchange, consider that the terms of Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing for the Placing Shares will allow the Company to raise the shortfall of funds required where possible after the Rights Issue, the Directors consider that the Placing Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the possible changes in the shareholding structure of the Company arising from the Rights Issue which are for illustrative purpose only:

	(i) As at the date of this announcement		(ii) Immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders		(iii) Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder's Irrevocable Undertakings and no Untaken Shares and ES Unsold Rights Shares are placed to the Placees)		(iv) Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder's Irrevocable Undertakings and all the Untaken Shares and ES Unsold Rights Shares are fully placed to the Placees)	
					Number of Shares		Number of Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. FU Chun Keung (“Mr. Fu”) (Note 1)	41,250,000	55	165,000,000	55	165,000,000	83	165,000,000	55
Ms. FU Wan Ling (“Ms. Fu”) (Note 1)	41,250,000	55	165,000,000	55	165,000,000	83	165,000,000	55
Ms. CHEUNG Lai Yuk (“Ms. Cheung”) (Note 1 and 2)	41,250,000	55	165,000,000	55	165,000,000	83	165,000,000	55
MGH Limited (Note 1)	41,250,000	55	165,000,000	55	165,000,000	83	165,000,000	55
Placees (Note 3)	–	–	–	–	–	–	101,250,000	34
Other Public Shareholders	33,750,000	45	135,000,000	45	33,750,000	17	33,750,000	11
Total	75,000,000	100	300,000,000	100	198,750,000	100	300,000,000	100

Notes:

1. Mr. Fu, Ms. Fu and Ms. Cheung collectively are interested in one-third or more of the voting power at general meetings of MGH Limited which holds 41,250,000 Shares and they are therefore deemed to be interested in the Shares held by MGH Limited by virtue of the SFO. Ms. Fu is the sister of Mr. Fu.
2. Ms. Cheung is the spouse of Mr. Fu and she is therefore deemed to be interested in the Shares held by Mr. Fu by virtue of the SFO.
3. Pursuant to terms and conditions of the Placing Agreement, the Placing Shares will be placed by the Placing Agent (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be Independent Third Parties; (ii) such that no Placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any MGO Obligation as a result of the Placing.
4. All amounts have been rounded to the nearest full figure where applicable.
5. The possible changes in the shareholding structure of the Company are subject, however, to any Scaling-down vis-a-vis the MGO Obligation and/or Public Float Requirement where necessary.

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

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.

The estimated net proceeds of the Rights Issue (after deduction of expenses) if the Rights Issue is subscribed in full is expected to amount to approximately HK\$26,000,000 (assuming no further issue or repurchase of Shares up to and including the Record Date).

Apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company, and placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the Nil-Paid Rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

Having considered the above alternatives, the Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole and that the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$26,000,000 as follows:

- (i) In order to expand the Group's retail store network, the Group will invest approximately HK\$12.0 million to open a new retail store. Approximately 2.0 million of this amount will be used to renovate the new store, acquire furniture and equipment, and pay for the rental deposit. The remaining amount of approximately 10.0 million will be used to purchase additional inventory for the new store, as well as to settle other necessary expenses (such as staff salaries and marketing expenses for the new store, etc.). The expansion will enable the Group to serve our customers in various regions and capture opportunities arising from the continued growth in demand for the Group's jewellery products;
- (ii) In order to establish a better brand image, approximately HK\$3.0 million will be used to renovate the existing seven retail stores;
- (iii) Approximately HK\$7.0 million will be used to repay bank borrowings and interest due within the following year; and
- (iv) The remaining balance of the net proceeds from the Rights Issue will be used for the Group's general working capital, including but not limited to the Group's staff costs, rental costs, purchases and other general and administrative expenses.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

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

Event	Date (Hong Kong time)
Publication of this announcement	Tuesday, 25 June 2024
Despatch date of the Circular in relation to the Increase in Authorised Share Capital, the Rights Issue, and the Placing with notice of the EGM	Wednesday, 17 July 2024

Latest date and time for lodging transfer of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 1 August 2024
Closure of register of members of the Company for the entitlement to attend and vote at the EGM (both days inclusive)	Friday, 2 August 2024 to Thursday, 8 August 2024
Latest date and time for delivery of forms of proxy for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Tuesday, 6 August 2024
Record date for attendance and voting at the EGM	Thursday, 8 August 2024
Date and time of the EGM	11:00 a.m. on Thursday, 8 August 2024
Publication of the announcement of the voting results of the EGM	Thursday, 8 August 2024
The following events are conditional on the fulfillment of the conditions for the implementation of the Rights Issue.	
Effective date of the Increase in Authorised Share Capital	Thursday, 8 August 2024
Register of members of the Company re-opens	Friday, 9 August 2024
Last day of dealings in the Shares on a cum-rights basis relating to the Rights Issue	Friday, 9 August 2024
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Monday, 12 August 2024
Latest time and date for the Shareholders to lodge transfer of Shares to qualify for the Rights Issue	4:30 p.m. on Tuesday, 13 August 2024
Closure of register of members of the Company for determining entitlements to the Rights Issue (both days inclusive)	Wednesday, 14 August 2024 to Tuesday, 20 August 2024
Record date for determining entitlements to the Rights Issue	Tuesday, 20 August 2024
Register of members of the Company re-opens	Wednesday, 21 August 2024
Expected date of despatch of Prospectus Documents (in the case of the Excluded Shareholders, the Prospectus only).	Wednesday, 21 August 2024

First day of dealings in the Nil-Paid Rights (in board lots of 10,000 Rights Shares)	Friday, 23 August 2024
Latest time for splitting the PALs	4:30 p.m. on Tuesday, 27 August 2024
Last day of dealing in Nil-Paid Rights (in board lots of 10,000 Rights Shares)	Friday, 30 August 2024
Latest time and date for lodging transfer documents of Nil-Paid Rights in order to qualify for the payment of Net Gain	4:00 p.m. on Wednesday, 4 September 2024
Latest Time for Acceptance of and payment for the Rights Shares and application of excess Rights Shares	4:00 p.m. on Wednesday, 4 September 2024
Announcement of the number of the Placing Shares subject to the Placing	Wednesday, 11 September 2024
Commencement of the Placing by the Placing Agent (if there are any Placing Shares available)	Thursday, 12 September 2024
Latest time of placing of the Placing Shares by the Placing Agent	4:00 p.m. on Thursday, 19 September 2024
Latest time for the Rights Issue and placing of the Placing Shares to become unconditional/Rights Issue Settlement Date and Completion Date of the Placing	4:00 p.m. on Thursday, 19 September 2024
Announcement of results of the Rights Issue, the application for excess Rights Shares and the Placing	Wednesday, 25 September 2024
Despatch of certificates for fully-paid Rights Shares and/or refund cheques (if the Rights Issue does not proceed)	Thursday, 26 September 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 27 September 2024
Payment of Net Gain to relevant No action Shareholders or Excluded Shareholders (if any)	Monday, 14 October 2024

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Increase in Authorised Share Capital and Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER 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 or a “black” rainstorm warning or Extreme Conditions:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 4 September 2024. 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 Wednesday, 4 September 2024. 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 does not take place on the currently scheduled date, the dates mentioned in the “**EXPECTED TIMETABLE**” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

The Rights Issue will proceed on a non-underwritten basis and there are no requirement under the laws of the Cayman Islands and the Company’s memorandum and articles of association for a minimum level of subscription or minimum amount of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level, and 123,750,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the sections headed “Conditions of the Rights Issue” and “Conditions of the Placing” in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Shares or in the Nil-Paid Rights from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

GEM LISTING RULES IMPLICATIONS

The Increase of Authorized Share Capital

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

The Rights Issue

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at 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 executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, MGH Limited, Mr. Fu, Ms. Fu, and Ms. Cheung are the Company's controlling shareholder (interested in 41,250,000 Shares, representing 55% of the Shares in issue) (the "Controlling Shareholders"), and as such, they and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, 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 such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM. As the Placing is conditional upon, among other things, the passing of necessary resolutions relating to the Rights Issue at the EGM, the Controlling Shareholders and their respective associates shall abstain from voting in favor of the resolution(s) relating to the Placing at the EGM.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chan Chi Ming Tony, Mr. Chan Cheong Tat and Mr. Wong Wing Keung Meyrick, has been established in compliance with the GEM Listing Rules to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing, are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM.

DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the proposed Increase in Authorised Share Capital, the Rights Issue, and the Placing.

The Circular containing, among other things, (i) further information of the Increase in Authorised Share Capital, the Rights Issue and the Placing; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue and the Placing; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM, will be despatched to the Shareholders on or before Wednesday, 17 July 2024.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will dispatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Prospectus will also be despatched to the Excluded Shareholders for their information only. For the avoidance of doubt, the Excluded Shareholders are entitled to attend and vote at the EGM.

DEFINITION

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

“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures, and administrative requirements relating to operations and functions of CCASS, as from time to time
“Circular”	the circular to be despatched to the Shareholders (i) giving details of, among other things, the Increase in Authorised Share Capital, the Rights Issue, and the Placing; and (ii) containing the notice of the EGM
“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
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, Increase in Authorised Share Capital, the Rights Issue, and the Placing
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company

“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue 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
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“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 PRC
“Increase in Authorized Share Capital”	an increase in the authorised share capital of the Company from HK\$15,000,000 divided into 150,000,000 Shares with a par value of HK\$0.1 each to HK\$750,000,000 divided into 7,500,000,000 Shares with a par value of HK\$0.1 each by creating an additional 7,350,000,000 unissued Shares with a par value of HK\$0.1 each to rank pari passu in all respects with the existing Shares
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors who have no direct or indirect interest in the Rights Issue and the Placing, which will be established to advise the Independent Shareholders on the Rights Issue and the Placing

“Independent Financial Adviser”	Capital 9 Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated therein
“Independent Shareholder(s)”	the Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	any individual(s) or company(ies) not being the connected persons (as defined under the GEM Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associate(s)
“Irrevocable Undertaking”	the irrevocable undertaking executed by MGH Limited in favor of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertaking” in this announcement
“Last Trading Day”	Tuesday, 25 June 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 4 September 2024, being the last time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“MGH Limited”	Mythe Group Holdings Company Limited, a Substantial Shareholder, which is the legal and beneficial owner of 41,250,000 Shares as at the date of this announcement
“Mr. Fu”	Mr. Fu Chun Keung, the chairman of the Company and an executive Director
“Net Gain”	A premium (net of expenses) obtained from arrangements made to sell the Rights Shares, which would have been provisionally allotted to the Excluded Shareholders
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid

“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any Nil Paid Rights at the time such Nil Paid Rights are lapsed
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Placee”	means any individual, corporate, or institution, who is not a connected person of the Company (as defined in the GEM Listing Rules) and whose ultimate beneficial owner(s) are Independent Third Party(ies), procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the terms and conditions under the Placing Agreement
“Placing”	placing of the Placing Shares by the Placing Agent on a best-efforts basis to investors who are Independent Third Parties
“Placing Agent”	First Shanghai Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO, and an indirect wholly owned subsidiary of First Shanghai Investments Limited, a company listed on the Stock Exchange with stock code 227.
“Placing Agreement”	the placing agreement dated Tuesday, 25 June 2024 and entered into among the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	Thursday, 19 September 2024 or such later date as the Company may announce
“Placing End Date”	Thursday, 19 September 2024
“Placing Long Stop Date”	4:00 p.m. on Thursday, 19 September 2024
“Placing Period”	the period from Thursday, 12 September 2024 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Share(s)”	the Untaken Shares and the ES Unsold Rights Shares

“Posting Date”	Wednesday, 21 August 2024, or such other day as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s), and the EAF(s)
“Public Float Requirement”	the public float requirement under Rule 11.23 of the GEM Listing Rules
“Qualifying Shareholders”	Shareholder(s) whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Tuesday, 20 August 2024, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of up to 225,000,000 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of the Nil-Paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation

“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Settlement Date”	the date being the second Business Day following (but excluding) the Latest Time for Acceptance or such later date as the Company may agree
“SFC”	the 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 the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to allot, issue, and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the EGM, which, if granted, shall expire three months from the date of the EGM
“Specified Event”	means an event occurring or matter arising on or after the date of the Placing Agreement and prior to the Placing Long Stop Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the warranties contained in the Placing Agreement untrue or inaccurate in any material respect and which has a material adverse effect in the context of the Rights Issue
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.12
“Substantial Shareholder(s)”	has the meaning as ascribed to this term under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)

“Untaken Shares” the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renounee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the EAF(s)

“%” per cent.

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

Hong Kong, 25 June 2024

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.