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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)

CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE

This announcement is made by Chong Fai Jewellery Group Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the prospectus (the “**Rights Issue Prospectus**”) of the Company dated 21 August 2024, in relation to, among other things, the proposed rights issue on the basis of three (3) rights shares for every one (1) existing share (the “**Rights Issue**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Rights Issue Prospectus.

ORIGINAL USE OF PROCEEDS

The net proceeds raised from the Rights Issue were approximately HK\$26.0 million (the “**Net Proceeds**”) and were originally intended to be applied for the following purposes, as stipulated under the section headed “**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE PLACING AND USE OF PROCEEDS**” in the Rights Issue Prospectus:

- (i) approximately HK\$12.0 million for opening a new retail store by the end of year of 2024, in which approximately HK\$2.0 million for renovating the new store, acquiring furniture and equipment, and paying for the rental deposit. The remaining amount of approximately HK\$10.0 million for purchasing additional inventory for the new store and settling other necessary expenses (such as staff salaries and marketing expenses for the new store, etc.);

- (ii) approximately HK\$3.0 million for renovating the existing seven retail stores by the end of 2025;
- (iii) approximately HK\$7.0 million for repaying monthly repayment of bank borrowings and interest due within the following year; and
- (iv) the remaining balance of the net proceeds from the Rights Issue 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, which is expected to be utilized by the end of 2025.

CHANGE OF USE OF THE NET PROCEEDS

As at the date of this announcement, the net proceeds of approximately HK\$12.0 million under the above paragraph (i) originally allocated for opening a new retail store remain unutilised. In light of the reasons set out in the section below, the Board has resolved to change the use of such unutilized net proceeds to, in particular (a) approximately HK\$9.6 million for an intended acquisition of equity interest in Grand Rise Creation Limited (浩晉創建有限公司), which is currently an associate of the Group owned by Mr. FU Chun Keung (傅鎮強), the Chairman, Chief Executive Officer and the controlling shareholder of the Company; and (b) the remaining balance of approximately HK\$2.4 million for general working capital of the Group, all of which are expected to be fully utilized by the Group by the end of 2025. Save as the aforesaid, the other allocation of net proceeds remains unchanged.

Set out below is the detailed information, as at the date of this announcement, regarding the status on the allocation and the utilization of the Net Proceeds and the change in the use of the Net Proceeds as resolved by the board of directors of the Company:

	Original allocation as stated in the Rights Issue Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for utilising the remaining Net Proceeds
Open a new retail store	12.0	–	12.0	–	–
Renovate the existing seven retail stores	3.0	–	3.0	3.0	by the end of 2025
Repay monthly repayment of bank borrowings and interest	7.0	3.5	3.5	3.5	by 30 September 2025
New purpose: acquisition of equity interest in an associate company which owns the flagship store of the Group	N/A	N/A	N/A	9.6	by 30 April 2025
General working capital	4.0	2.0	2.0	4.4	by the end of 2025
Total	<u>26.0</u>	<u>5.5</u>	<u>20.5</u>	<u>20.5</u>	

REASONS FOR THE CHANGE IN USE OF NET PROCEEDS

The Group is primarily engaged in the retail of its own products, including jewellery products such as gem-set jewellery and gold jewellery products, through its network of seven retail stores under the brand name of “Chong Fai Jewellery (創輝珠寶)”.

In view of the exorbitant price of gold in the prevailing market over the past few months which is expected to be maintained in the near future, the Board takes the view that the consequential costs for opening a new retail store which will include the costs of gold procurement would drastically increase, to an extent being unfavourable to the interest of the Group and therefore, neither 2024 was nor the near future will be an opportune time for opening a new retail store. The Company intends to change the use of the unutilized net proceeds originally allocated for opening a new retail store to acquisition of further equity interest in Grand Rise Creation Limited (浩晉創建有限公司), which owns the flagship store of the Group. The Board takes the view that (i) the flagship store is a cornerstone of the Group and has promising prospects; (ii) by acquiring more equity stake in Grand Rise Creation Limited (浩晉創建有限公司), the Group could thereby proportionally pay lower rent for the flagship store, and therefore reducing the operation costs of the Group in the long run; and (iii) the Group would be able to focus on the operation of the existing stores and maintain competitiveness in the market, and would not divert its effort to the opening of a new retail store and therefore, such revised allocation is more suitable for the Group under the current market sentiment.

Having considered the above, the Directors are of the view that the revised allocation will enable the Group to deploy its financial resources more efficiently to meet its operation and development needs and support the daily business of the Group and is hence in the interest of the Company and the Shareholders as a whole.

To strive for better business performance of the Group, the Directors will continuously assess the evolving market conditions and should there be a need for further adjustments on the use of utilised net proceeds from the Rights Issue, the Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

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

Hong Kong, 28 March 2025

As at the date of this announcement, the executive Directors are Mr. Fu Chun Keung, Ms. Cheung Lai Yuk, Ms. Fu Wan Ling and Mr. Fu Ho Hon; 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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and on the website of the Company at www.chongfaiholdings.com.