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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chong Fai Jewellery Group Holdings Company Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

Distribution of this circular into jurisdictions other than Hong Kong may be restricted by law.

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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 ON A  
NON-UNDERWRITTEN BASIS; PLACING UNDER SPECIFIC MANDATE; AND  
NOTICE OF EGM**

Placing Agent



Independent Financial Adviser



**Capital 9 Limited**

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

A letter from the Board is set out on pages 11 to 37 of this circular. A letter from the Independent Board Committee is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 40 to 65 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 12 August 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 23 August 2024 to Friday, 30 August 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 23 August 2024 to Friday, 30 August 2024 (both days inclusive) will bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held on Thursday, 8 August 2024 at 11:00 a.m. at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions set out in the section headed “Letter from the Board – Conditions of the Rights Issue” in this circular. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placées. The Placing Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

This circular will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” for at least 7 days from the date of its posting and on the Company’s website at [www.chongfaiholdings.com](http://www.chongfaiholdings.com).

17 July 2024

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“Announcement”	the announcement of the Company dated 25 June 2024 in relation to, among other things, the Increase of Authorised Share Capital, Rights Issue, and the Placing
“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, Sunday 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
“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
“Compensatory Arrangement”	compensatory arrangement has the meaning ascribed to it under Rule 10.31(1)(b) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EAF”	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 held at 11:00 a.m. on Thursday, 8 August 2024 at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong to consider and if thought fit approve, among others, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder

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## DEFINITIONS

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“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 Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“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 dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised 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

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## DEFINITIONS

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“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)”	any 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 circular
“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 the 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
“Latest Practicable Date”	Tuesday, 16 July 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 and Controlling Shareholder, which is the legal and beneficial owner of 41,250,000 Shares as at the Latest Practicable Date
“Mr. Fu”	Mr. Fu Chun Keung, the chairman of the Company and an executive Director

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## DEFINITIONS

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“Net Gain”	A premium (net of expenses) obtained from the 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 Shareholders”	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 Shareholders”	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(s)”	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
“Placing Agreement”	the placing agreement dated Tuesday, 25 June 2024 and entered into between 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

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## DEFINITIONS

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“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 Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Prospectus”	the prospectus to be made available to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s), and the EAF(s)
“Public Float Requirements”	the public float requirement under Rule 11.23 of the GEM Listing Rules
“Qualifying Shareholder(s)”	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 Shares”	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; or which may result in non-compliance of the Public Float Requirements



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## DEFINITIONS

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“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 and/or non-compliance with the Public Float Requirements 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 and/or non-compliance with the Public Float Requirements 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

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## DEFINITIONS

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“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 renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the EAF(s)
“%”	per cent

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## EXPECTED TIMETABLE

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*The expected timetable for the implementation of the Increase in Authorised Share Capital, the Rights Issue, the Placing and the associated trading arrangement is set out below:*

<b>Event</b>	<b>Date (Hong Kong time)</b>
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
<b>The following events are conditional on the fulfilment of the conditions for the implementation of the Rights Issue.</b>	
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

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## EXPECTED TIMETABLE

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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 ( <i>Note</i> )	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

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## EXPECTED TIMETABLE

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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) (*note*) 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 circular 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.

*Note:* There is application for the excess Rights Shares (please refer to the section headed under “Application for the excess Rights Shares on page 17 of this circular) and no Compensatory Arrangement. Arrangement will be made by the Company to sell the Rights Shares, which would have been provisionally allotted to the Excluded Shareholder, in their nil-paid form if Net Gain can be obtained. The Company shall lodge the relevant transfer documents of the Nil-Paid Rights by 4:00 p.m. on Wednesday, 4 September 2024. For the avoidance of doubt, pursuant to such arrangement, No Action Shareholders will not be entitled to receive any Net Gain (if any).

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Fu Chun Keung  
Ms. Cheung Lai Yuk  
Ms. Fu Wan Ling

*Registered office:*

PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Independent non-executive Directors:*

Mr. Chan Chi Ming Tony  
Mr. Chan Cheong Tat  
Mr. Wong Wing Keung Meyrick

*Principal Place of business:*

No. 6-13, Faerie Court  
80 Ko Shan Road, Hung Hom  
Kowloon, Hong Kong

17 July 2024

*To the Qualifying Shareholders and, for information purpose only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

**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 ON A  
NON-UNDERWRITTEN BASIS;  
PLACING UNDER SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Increase in Authorised Share Capital, the Rights Issue and the Placing. The purpose of this circular is to provide you with, among others things, (i) details of the Increase in Authorised Share Capital, the Rights Issue, the Placing; (ii) a letter of recommendation 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.

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## LETTER FROM THE BOARD

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### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$15,000,000 divided into 150,000,000 Shares with a par value of HK\$0.1 each, among which, 75,000,000 Shares are in issue.

In order to accommodate the proposed Rights Issue and 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. The Increase in Authorised Share Capital, the Rights Issue and the Placing are inter-conditional upon each other. Conditional upon the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Rights Issue and the Placing, 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 will provide flexibility to the Company for future equity funding opportunities, and is therefore 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.

#### Rights 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 Latest Practicable Date	:	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)

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## LETTER FROM THE BOARD

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Undertaken 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	:	up to 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 at the Latest Practicable Date, 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 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 33.7% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Latest Practicable Date.
- (ii) 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;
- (iii) 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;



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## LETTER FROM THE BOARD

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- (iv) 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;
- (v) 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;
- (vi) 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);
- (vii) 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. Despite the theoretical dilution effect of 24.6%, it is the combined effect of achieving the fund raising requirement and the determination of the Subscription Price to attract Shareholders in participating in the Rights Issue (as detailed below), the Rights Issue represents the Group's ability to raise new capital, to continue to develop its business and to improve its gearing and financial performance by lowering the level of debt and financing costs of the Group. 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 (i) the market price of the Shares under the prevailing market conditions, (ii) the business trend and trading prospects of the Group, whereby the macro-economy remained unclear and the retail industry in Hong Kong had not fully recovered, (iii) the low trading volume of the Shares in the past twelve months, (iv) the prevailing market conditions of the capital market in Hong Kong, and (v) 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 circular.

In consideration of the above factors, in particular the weak market sentiment in the capital market in Hong Kong as a whole and in the Shares of the Company, and the anticipated market response to the Rights Issue, the Board is of the view that the Subscription Price should act as a market catalyst to attract Shareholders and investors to participate in the Rights Issue.

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## LETTER FROM THE BOARD

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The closing prices of the Shares have shown an overall downward trend for the past 12 months and the average daily trading volume of the Shares, in the 12 months prior to the Last Trading Day, was approximately 0.07% of the total issued Shares as at the Last Trading Day. On the basis of the lack of liquidity and demand for the Shares, and in view of the funding needs of the Company, as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this circular, the Subscription Price was set at a discount to the benchmarked price of the Shares and the consolidated net asset value per Share attributable to the Shareholders as described above to lower the further investment costs of the Shareholders so as to encourage Shareholders in taking up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact.

While the Subscription Price represents a discount of 87.4% to the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.95 per Share as at 31 March 2024, the Board is of the view that the net asset value per Share is not the sole relevant factor to determine the Subscription Price. Under the current market condition, and with reference to the recent market performance of the Shares, whereby the weighted average closing price of the Shares for the six months prior to the Latest Practicable Date is approximately HK\$0.255 per Share, which is significantly lower than the net asset value per Share, it would not be commercially feasible to set a Subscription Price on par with the net asset value per Share, which would likely discourage Shareholders and investors from participating in the Rights Issue.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be set forth in this circular after having been advised by the Independent Financial Adviser) consider 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;

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## LETTER FROM THE BOARD

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- (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) (a-d), 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.

As at the Latest Practicable Date, none of the conditions have been satisfied.

### **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.

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## LETTER FROM THE BOARD

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### **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.

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## LETTER FROM THE BOARD

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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.

As at the Latest Practicable Date, the Company has identified one Overseas Shareholder with registered address situated outside Hong Kong in the mainland China, who is interested in 1,500,000 Shares, representing approximately 2% of the total issued 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;

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## LETTER FROM THE BOARD

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- (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.

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## LETTER FROM THE BOARD

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### **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 Rights 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 of 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**

On 25 June 2024, 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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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 Latest Practicable Date.

The Irrevocable Undertaking is subject to the Scaling-down and the Public Float Requirements. In the event that the taking up of the Rights Shares pursuant to the Irrevocable Undertaking will result in non-compliance of the Public Float Requirements, MGH Limited will scale down its subscription of the Rights Shares to such extent as to ensure that there is compliance of the Public Float Requirements.

### **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 unwittingly trigger an MGO Obligation (unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained) or non-compliance with the Public Float Requirements.

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 or non-compliance with the Public Float Requirements. 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.



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## LETTER FROM THE BOARD

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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 by MGH Limited pursuant to the Irrevocable Undertaking, subject to any scaling-down required to avoid the MGO Obligation if necessary and subject to the Public Float Requirements. 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 Placees 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 as to Cayman Islands laws 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. Dealing in the Rights Shares in both nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### 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, Places 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

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

The Placing Agent was appointed to place, or procure the Placing on a best-efforts basis.

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 rounded up to the nearest HK\$10,000, 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.

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## LETTER FROM THE BOARD

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The placing commission of HK\$130,000 is determined based on the fee rate of 1% of the maximum aggregate placing amount, i.e. 1% of 101,250,000 Shares (being the maximum number of Placing Shares, excluding the Rights Shares which MGH Limited will take up in accordance with the Irrevocable Undertaking and before the Scaling-down, 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) multiplied by the Placing Price of HK\$0.12 per Share, rounded up to the nearest HK\$10,000. In view of the prevailing market condition, in particular with regard to the weak market sentiment in the capital market in Hong Kong as a whole and in the Shares of the Company, and the resulting anticipated weak market response to the Placing, and extra effort of the Placing Agent in identifying potential Placee(s), the Board considers that the placing commission is determined on normal commercial terms and fair and reasonable as a whole.

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 Agent pursuant to the Placing Agreement. For the avoidance of doubt, the Company shall be responsible to reimburse 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 use its best efforts to ensure that the Placing Shares are placed only to institutional, corporate or individual investors who shall be (i) 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.

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## LETTER FROM THE BOARD

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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 up 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 before the Scaling-down, 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 Placing Agreement becomes unconditional and 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 33.7% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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);

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## LETTER FROM THE BOARD

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- (vii) 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;

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## LETTER FROM THE BOARD

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- (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 circular, 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.

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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- (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 the 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.



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## LETTER FROM THE BOARD

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### 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 circular, 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 in respect of the placing arrangement and placing commission payable to placing agent(s); (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”, as compared to the relatively weak market sentiment in the capital market in Hong Kong as a whole and in the Shares of the Company; and (iii) the Subscription Price and the anticipated market response to the Placing. In particular, the Directors, taking into account the range of placing commission of between 0.5% to 3.5% of the placing amount, as shown in the table below, for rights issues with placing arrangement announced by issuers listed on the GEM of the Stock Exchange in the past six months, consider that the terms of Placing Agreement, including the placing commission which falls within the middle range between market comparables, 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.

**Table: Market Comparables on Placing Commission**

<b>Date of Announcement</b>	<b>Stock Code</b>	<b>Placing Commission</b>	<b>Approximate Maximum Fund Raised (HKD)</b>
30/1/2024	8293	A fixed fee of HK\$100,000 or 1.5%, whichever is higher	14,400,000
23/2/2024	8460	3.5%	41,400,000
25/3/2024	8340	0.7%	53,800,000
26/4/2024	8030	A fixed fee of HK\$800,000 or 3%, whichever is higher	63,600,000
30/4/2024	8160	1%	15,000,000
29/5/2024	8500	0.5%	54,000,000

*Note:* The table sets out an exhaustive list of placing commission charged during the period for the six months ended 30 June 2024 for GEM Issuers. Based on the range of placing commissions set out in the table, the placing commission of 1% charged by the Placing Agent falls within the middle range of the commission rates of the comparables of 0.5% to 3.5%.

## LETTER FROM THE BOARD

### 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 Latest Practicable Date		(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) (note 4)		(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	33.75
Other Public Shareholders	33,750,000	45	135,000,000	45	33,750,000	17	33,750,000	11.25
<b>Total</b>	<b>75,000,000</b>	<b>100</b>	<b>300,000,000</b>	<b>100</b>	<b>198,750,000</b>	<b>100</b>	<b>300,000,000</b>	<b>100</b>

*Notes:*

- 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.
- 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.
- 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.
- In the event that the taking up of the Rights Shares by Mr. Fu, Ms. Fu and Ms. Cheung through MGH Limited pursuant to the Irrevocable Undertaking triggers non-compliance of the Public Float Requirements, Mr. Fu, Ms. Fu and Ms. Cheung shall cause the shareholding of MGH Limited in the Company to be scaled down so as to comply with the Public Float Requirements.
- All amounts have been rounded to the nearest full figure where applicable.
- 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.

The Public Float Requirements shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 11.23 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### 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).

The Rights Issue will be carried out in compliance with GEM Rules 10.31. Given that the Company has put in place the excess application arrangements as required by GEM Rule 10.31(1)(a), the Directors have determined that there will be no compensatory arrangements in relation to the Rights Issue as stipulated under GEM Rule 10.31(1)(b). The Directors believe that the introduction of excess application arrangements aims to incentivise existing Shareholders to increase their investment in the Group. This initiative is intended to cultivate a stronger and more resilient shareholder base that demonstrates trust in and actively supports the Group's future growth. The Placing, while not conducted for the benefit of the Shareholders to whom the Rights Issue were offered under GEM Rule 10.31(1)(b), serves to assist with achieving the fund-raising requirement of the Company under the Rights Issue.

Apart from the Rights Issue, the Directors have consulted the Placing Agent and considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. In 2023, the Company has obtained financing at a special concessionary rate from participating lender(s) of the SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Insurance Limited. As the Company has reached its borrowing limit under the said scheme, any further borrowings would need to be conducted as a normal bank borrowings with no concession. The Directors note that bank borrowings, either from the said scheme, or from other financial institution, if available, carry additional interest costs and create pressure to the liquidity of the Company. Hence, the Company opted not to proceed with debt fundraising either from the said scheme or from other financial institution.

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.

As at the Latest Practicable Date, the Company has approximately HK\$10 million cash and bank balances, and the bank borrowings payable within 1 year is approximately HK\$7 million. The Company's estimated working capital outflow from operation is approximately HK\$5 million per month, the monthly repayment of bank borrowings is approximately HK\$580,000 per month, and the monthly working capital inflow from operation is approximately HK\$5.1 million per month. Hence, there is a net outflow of approximately HK\$480,000 of cash per month. The Company is obliged to retain sufficient cash for general working capital, therefore, after reserving at least HK\$5 million for one month's general working capital, the Company has approximately HK\$6 million of disposable cash and bank balances, which is expected to be utilized in 12 months, the Directors would not consider utilising its cash and bank balances towards business development unless the Company's funding requirements are met through the Rights Issue.

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## LETTER FROM THE BOARD

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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 by the end of year of 2024. 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 by the end of 2025;
- (iii) Approximately HK\$7.0 million will be used to repay 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 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, which is expected to be utilised by the end of 2025.

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 PAST 12 MONTHS**

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

### **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

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## LETTER FROM THE BOARD

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- (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” in this circular 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 requirements 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 pursuant to the Irrevocable Undertaking subject, however, to any Scaling-down and the Public Float Requirements.**

**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 circular, 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 Latest Practicable Date 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.

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## LETTER FROM THE BOARD

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### **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 Latest Practicable Date, MGH Limited is the controlling Shareholder (interested in 41,250,000 Shares, representing 55% of the Shares in issue) (the “**Controlling Shareholder**”) of the Company. Mr. Fu, Ms. Fu and Ms. Cheung are the directors of MGH Limited and hence are the associates of the Controlling Shareholder. As such, the Controlling Shareholder and its associates, Mr. Fu, Ms. Fu and Ms. Cheung shall abstain from voting in favour of the proposed resolution approving the Rights Issue. Save as disclosed, there are no other Shareholders or their respective associates who are required to 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 Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As 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, Mr. Fu, Ms. Fu and Ms. Cheung, shall abstain from voting in favor of the resolution(s) relating to the Placing at the EGM. Save as disclosed, there are no other Shareholders or their respective associates who are required to abstain from voting in favour of the proposed resolution approving the Placing.

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## LETTER FROM THE BOARD

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### **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF 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 PROSPECTUS DOCUMENTS**

Subject to the approval of the Increase in the Authorised Share Capital by the Shareholders and the Rights Issue and Placing by the Independent Shareholders at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be made available on the websites of the Company ([www.chongfaiholdings.com](http://www.chongfaiholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) together with the PAL and EAF on or before Wednesday, 21 August 2024. To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send the PAL and EAF to the Qualifying Shareholders but will not send the PAL and EAF to the Non-Qualifying Shareholders.

### **TAXATION**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Nil-Paid Rights or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the Nil-Paid Rights on their behalf.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 38 to 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 40 to 65 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Increase in Authorised Share Capital are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the Placing are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue and the Placing. A notice convening the EGM of the Company to be held at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong at 11:00 a.m. on Thursday, 8 August 2024 is set out on pages EGM-1 to EGM-4 of this circular.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Placing.*



**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)**

17 July 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**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 ON A  
NON-UNDERWRITTEN BASIS;  
PLACING UNDER SPECIFIC MANDATE; AND  
NOTICE OF EGM**

We refer to the circular of the Company dated 17 July 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue and the Placing.

Yours faithfully,  
the Independent Board Committee

**Mr. Chan Chi Ming Tony**  
*Independent non-executive  
Director*

**Mr. Chan Cheong Tat**  
*Independent non-executive  
Director*

**Mr. Wong Wing Keung  
Meyrick**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder for the purpose of incorporation into this Circular.*



### Capital 9 Limited

17 July 2024

*To the Independent Board Committee and the Independent Shareholders of  
Chong Fai Jewellery Group Holdings Company Limited*

Dear Sir/Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE  
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;  
AND  
PLACING UNDER SPECIFIC MANDATE**

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 17 July 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement. 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 Share for every one (1) Shares 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).

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 regardless of the level of acceptances of the provisionally allotted Rights Shares, and a total of 123,750,000 Rights Shares are committed to be subscribed pursuant to the Irrevocable Undertaking subject, however, to any Scaling-down and the Public Float Requirements. There will be excess application arrangement in relation to the Rights Issue pursuant to which Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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. 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.

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 Latest Practicable Date, MGH Limited is the controlling Shareholder (interested in 41,250,000 Shares, representing 55% of the Shares in issue) (the “**Controlling Shareholder**”) of the Company. Mr. Fu, Ms. Fu and Ms. Cheung are the directors of MGH Limited and hence are the associates of the Controlling Shareholder. As such, the Controlling Shareholder and its associates, Mr. Fu, Ms. Fu and Ms. Cheung shall abstain from voting in favour of the proposed resolution approving the Rights Issue. Save as disclosed, there are no other Shareholders or their respective associates who are required to abstain from voting in favour of the proposed resolution approving the Rights Issue.

The Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Rights Issue and the Placing, has been established to advise the Independent Shareholders as to whether 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 as to the voting at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, (i) the annual report of the Company for the year ended 31 March 2023 (the “**2022/23 AR**”) and 2024 (the “**2023/24 AR**”) respectively; (ii) the Announcement; (iii) the Placing Agreement; and (iv) other information contained in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or any of its subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

As at the Latest Practicable Date, we were not aware of any relationships between us and, nor any interests held by us in, the Company that could reasonably be regarded as hindrance to our independence as defined under the GEM Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us other than this engagement and we did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we are qualified to give independent advice in relation to the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions to be contemplated thereunder, we have taken into consideration the following principal reasons and factors:

(1) **Information on the Group**

(a) *Historical financial performance*

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.

Set out below are the summarised financial information of the Group for the three years ended 31 March 2022 (“FY2022”), 2023 (“FY2023”) and 2024 (“FY2024”), as extracted from the 2022/23 AR and 2023/24 AR respectively, and further confirmed by the Company:

Operating performance

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Revenue, comprising</b>	<b>107,344</b>	<b>136,822</b>	<b>142,274</b>
<i>(i) sale of gem-set jewellery products</i>	51,794	60,609	55,456
<i>(ii) sale of gold jewellery products</i>	37,430	54,498	52,394
<i>(iii) trading of recycled gold products</i>	18,120	21,715	34,424
Gross profit	29,154	32,104	39,183
Gross profit margin	27.2%	23.5%	27.5%
Other income	1,005	2,296	688
Other (losses)/gains, net	(1,807)	87	(498)
Selling and distribution costs	(21,308)	(20,160)	(20,366)
General and administrative expenses	(14,719)	(15,822)	(15,804)
Finance costs	(1,126)	(1,219)	(1,249)
Share of losses of associates	(264)	(197)	(102)
Profit/(Loss) before income tax	(9,065)	(2,911)	1,852
Income tax (expense) credit	1,382	741	(260)
<b>Profit/(Loss) for the year</b>	<b>(7,683)</b>	<b>(2,170)</b>	<b>1,592</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For FY2023, the Group's revenue amounted to approximately HK\$136.8 million, representing an increase of approximately HK\$29.5 million from approximately HK\$107.3 million for FY2022. As stated in the 2022/23 AR, such increase in overall revenue was mainly due to (i) the continuous recovery of local consumer sentiment and foot traffic in the shops of the Group in Hong Kong and (ii) fluctuation of global pure gold prices. The Group recorded an increase in gross profit by approximately HK\$3.0 million for FY2023 compared to that for FY2022. Its gross profit margin decreased to approximately 23.5% for FY2023 from approximately 27.2% for FY2022, mainly due to higher proportion of revenue contributed by sales of gold jewellery products, of which the gross profit margin was lower as compared to other products, being gem-set products, for the year. Loss for the year decreased by approximately HK\$5.8 million to approximately HK\$1.9 million for FY2023 from approximately HK\$7.7 million for FY2022. Such decrease was mainly due to (i) increase in gross profit by approximately HK\$3.0 million as mentioned above; (ii) increase in other income by approximately HK\$1.3 million due to the receipt of government grants, include the Anti-epidemic Fund under the Employment Support Scheme of approximately HK\$1.2 million and Technology Voucher Programme Fund of approximately HK\$0.3 million, for FY2023 but nil for FY2022; and (iii) increase in net amount of other gains by approximately HK\$1.9 million mainly due to net gain on financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$0.1 million for FY2023, compared to net loss on the financials assets at FVTPL of approximately HK\$1.9 million for FY2022.

For FY2024, the Group's revenue amounted to approximately HK\$142.3 million, representing an increase of approximately HK\$5.5 million from approximately HK\$136.8 million for FY2023. As stated in the 2023/24 AR, global pure gold prices reached its peak in 2024 which attracted the customers to sell their own gold products to the Group for recycling, thus the Group recorded revenue increase in trading of recycled gold products by approximately HK\$12.7 million. The Group's gross profit increased by approximately HK\$7.1 million for FY2024 compared to that for FY2023, mainly due to the continued rise in gold prices during the year, enabling the Group to sell the recycled gold products and gold jewellery products at higher prices. Its gross profit margin increased to 27.5% for FY2024 from 23.5% for FY2023. Profit for the year of approximately HK\$1.6 million for FY2024 was recorded, compared to loss for the year of approximately HK\$2.2 million for FY2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Financial position

	<b>As at 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>	<b>36,377</b>	<b>41,407</b>	<b>37,084</b>
Property, plant and equipment	20,581	15,934	13,530
Interest in associates	8,721	17,424	17,322
Deferred tax assets	5,047	5,788	5,528
Other receivables	2,028	2,261	704
<b>Current assets</b>	<b>92,791</b>	<b>86,909</b>	<b>81,044</b>
Inventories	59,634	58,984	62,890
Trade and other receivables	3,559	4,202	5,151
Financial assets at fair value through profit or loss (“FVTPL”)	9,026	3,066	1,844
Bank balances and cash	20,572	20,657	11,159
<b>Current liabilities</b>	<b>46,592</b>	<b>53,152</b>	<b>43,076</b>
Trade and other payables	6,142	6,195	6,171
Contract liabilities	4,395	4,902	5,882
Refund liabilities	388	463	444
Lease liabilities	7,372	7,732	7,769
Amount due to controlling shareholder	–	5,000	–
Bank borrowings	28,295	28,856	22,799
Long service payment obligations	–	4	11
<b>Non-current liabilities</b>	<b>9,626</b>	<b>4,968</b>	<b>4,128</b>
Lease liabilities	9,626	4,456	3,433
Long service payment obligations	–	512	695
Net current assets	46,199	33,757	37,968
Net assets	72,950	70,196	70,924
Gearing ratio ( <i>Note</i> )	38.8%	41.1%	32.1%

*Note:* The gearing ratio is calculated by dividing total debts (total debts are defined to include payables incurred not in the ordinary course of business) by total equity as at the end of the financial year/period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the Group's net assets amounted to approximately HK\$70.2 million as at 31 March 2023, a decrease by HK\$2.8 million from approximately HK\$73.0 million as at 31 March 2022. Such decrease was mainly due to (i) decrease in financial assets at FVTPL by approximately HK\$6.0 million and (ii) increase in amount due to controlling shareholder by HK\$5.0 million, partly offset by increase in interests in associate by HK\$8.9 million as the Group acquired 20% equity interests in Dia Myth Jewelry Co., Limited from Mr. Fu during FY2023.

The Group's net assets slightly increased by approximately HK\$0.7 million to approximately HK\$70.9 million as at 31 March 2024 from approximately HK\$70.2 million as at 31 March 2023, mainly due to the net effect of settlement of amount due to controlling shareholder of HK\$5.0 million and repayment of bank borrowings of approximately HK\$6.1 million by the Group's bank balances and cash during FY2024, and the Group turned into profit for FY2024.

Gearing ratio of the Group was 38.8% as at 31 March 2022. It increased to approximately 41.1% as at 31 March 2023, mainly due to the increase in amount due to controlling shareholders by HK\$5 million in FY2023, representing the consideration payable to Mr. Fu for the acquisition of an associate, namely Dia Myth Jewelry (MFY) Co., Limited, by the Group in September 2022. As full settlement of such consideration payable and repayment of bank borrowings of approximately HK\$6.1 million was made by the Group in FY2024, gearing ratio of the Group decreased to 32.1% as at 31 March 2024.

**(b) Outlook of the Group**

As stated in the 2023/24 AR, the Board considered that although there was resumption of normal customs clearance between the Mainland China and Hong Kong during FY2024, the retail industry had not fully recovered, and the macro economy remained unclear. Despite the changing market environment, the Group relied on its in-depth understanding of the market and consumer trends and made good use of operating resources, which allowed the Group to turn losses into profits during the year. As advised by the Board, they are confident in the prospect of the Group in light of the recent increase in visitor arrivals in Hong Kong and increase in gold price. Looking forward, the Group will seek to expand the Group's jewellery design collection in line with customer needs, preferences and market trends and expand its retail presence to capture a wider range of market opportunities when the economic environment and retail industry in Hong Kong becomes better. The Group is extending its marketing campaign to social media in the hope that it will bring a desirable return to the Shareholders and sustain a long-term growth of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted the statistics of visitor arrivals released by the Hong Kong Tourism Board<sup>1</sup>, according to which the number of visitor arrivals in Hong Kong amounted to approximately 3.4 million in March 2024, representing a 38.6% growth compared to that in March 2023.

Trading of gold jewellery product and recycled gold product together accounted for more than 55% and 61% of the Group's revenue for FY2023 and FY2024. As released by the World Gold Council<sup>2</sup>, the gold price climbed to approximately HK\$18,646 per ounce in late May 2024 from approximately HK\$16,175 per ounce in early January 2024. Price of gold ornaments in Hong Kong was approximately HK\$25,690 per tael on 30 May 2024, a substantial increase from HK\$22,230 per tael on 30 December 2023<sup>3</sup>. As advised by the Company, the increase in gold price shall impose additional working capital requirements as a result of the increase in purchase cost and expected demand for gold jewellery products.

### (2) Reasons for the Rights Issue

#### (a) Funding needs

As stated in the Letter from the Board, out of the net proceeds of approximately HK\$26 million assuming full subscription under the Rights Issue, the Company intends to apply (i) approximately HK\$12 million to open a new retail store in Mongkok or Tsim Sha Tsui by the end of 2024 in order to expand the Group's retail store network so as to serve its customers in various regions and capitalise opportunities arising from the continued growth in demand for the Group's jewellery products, of which approximately 2.0 million will be used to renovate the new store, acquire furniture and equipment and pay for the rental deposit, and the remaining amount of approximately 10.0 million will be used to purchase additional inventory for the new store and settle other necessary expenses (such as staff salaries and marketing expenses for the new store, etc.); (ii) approximately HK\$3.0 million to renovate the existing seven retail stores of the Group by the end of 2025 to establish a better brand image; (iii) approximately HK\$7.0 million to repay monthly repayment of bank borrowings and interest due within the following year; and (iv) the remaining balance 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 utilised by the end of 2025. 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.

<sup>1</sup> [https://partnernet.hktb.com/en/research\\_statistics/tourism\\_performance/index.html](https://partnernet.hktb.com/en/research_statistics/tourism_performance/index.html)

<sup>2</sup> <https://www.gold.org/goldhub/data/gold-prices>

<sup>3</sup> <https://goldtrendhk.com>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Financial resources available*

We have enquired with the Company the internal and external financial resources available to the Group to assess if Rights Issue is required to finance the aforesaid funding needs.

As stated in the 2023/24 AR, the Group's current assets as at 31 March 2024 amounted to approximately HK\$81.0 million, of which approximately HK\$62.9 million or 77.6% were inventories. We understood from the Company that those inventories mainly included jewellery and gold products for sale, of which the time and amount of cash receipt from selling them will depend on the local consumer sentiment. We noted that the bank balances and cash of the Group amounted to approximately HK\$11.2 million only as at 31 March 2024, and understood from the Company that such amount decreased to approximately HK\$10 million as at the Latest Practicable Date, which is not sufficient to finance aforesaid funding needs. We further understood from the Company that those bank balances and cash has to be retained for supporting the operation needs of the existing retail stores of the Group, thus cannot be used to finance the aforesaid expansion and renovation plan or repayment of bank borrowings. As further stated in the Letter from the Board, the bank borrowings payable within 1 year was approximately HK\$7 million as at the Latest Practicable Date. Given the above, we concur with the Directors' view that it is fair and reasonable for the Company to conduct the Rights Issue instead of utilising the Company's available cash or working capital for the aforesaid funding needs.

The 2023/24 AR further stated that the Group had no available unutilised bank facilities as at 31 March 2024. As further confirmed by the Company, save as aforesaid, there was no material change in the financial condition of the Group as at the Latest Practicable Date compared to that as at 31 March 2024.

Taking in consideration of (i) the reasons of funding needs; (ii) the internal resources of the Group, which is crucial for supporting the operations needs of the Group, is expected to be not sufficient to finance its expansion plan; and (iii) the Company opted not to proceed with debt fundraising from other financial institution to avoid placing further interest burden on the Group given the current high interest environment as discussed below, we concur with the Directors' view that the Group can enhance its financial position through the Rights Issue by applying the net proceeds from the Rights Issue in the manner as stated above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Alternative fund-raising methods*

As stated in the Letter from the Board, apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing of new shares (other than the Untaken Shares and ES Unsold Rights Shares) or open offer.

The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company. We have enquired with the Company and understood from it that the Company has obtained financing at a special concessionary rate from participating lender(s) of the SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Insurance Limited in 2023. As the Company has reached its borrowing limit under the aforesaid scheme, any further borrowings would need to be conducted as a normal bank borrowings with no concession. The Company opted not to proceed with debt fundraising either from the said scheme or from other financial institution. We understood from the Company that they have approached bank for new loan facilities but negative response was received. Given the current Hong Kong Prime Rate is 5.875% and, as advised by the Company, they believe that even a financial institution is willing to offer a new loan to the Group, the terms, particularly the interest rate, will likely not be favourable to the Group given the current high interest rate environment. Hence, we concur with the Directors that further debt financing is not preferred as it would create further interest burden on the Group.

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.

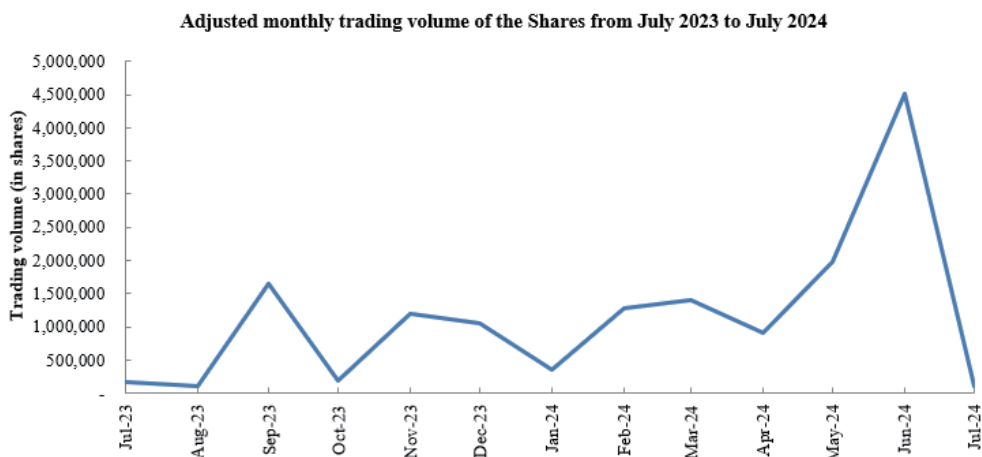
We understood from the Company that placing of new shares, being other equity financing method, is not preferred as they expect that they may encounter difficulties in procuring places for fund raising given the recent thin trading liquidity of the Shares.

The chart below depicts the adjusted monthly trading volume of the Share from July 2023 to the Latest Practicable Date:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Notes:

1. For illustration and comparison purpose, the trading volume during such period before the effective date of the share consolidation of 28 May 2024 shown in the trading volume chart above was the adjusted trading volume after taking into account the effect of the share consolidation.
2. The adjusted monthly trading volume in July 2024 (up to the Latest Practicable Date) was calculated based on the average daily trading volume of the trading days from 1 July 2024 to the Latest Practicable Date times the total number of trading days in July 2024.

In the past 12 months up to the Latest Practicable Date, the adjusted monthly trading volume of the Shares ranged from approximately 0.1 million shares (in July 2024) to approximately 4.5 million shares (in June 2024), representing approximately 0.1% to 6.0% of the total number of issued Shares as at the end of the respective month. The trading volume reached 1.79 million shares, 870,000 shares and 740,000 shares on 14 June 2024, 18 June 2024 and 26 June 2024 respectively. We have enquired with and understood from the Company that, other than the announcement of poll results of extraordinary general meeting of the Company approving the share consolidation on 24 May 2024, the annual results for FY2024 of the Company on 24 June 2024 and the Rights Issue on 25 June 2024, they are not aware of any other reasons leading to such fluctuation in trading volume of the Shares. Taking into account the (i) possible difficulties in procuring places for new shares to be placed by the Company for fund raising as expected by the Company given the thin trading liquidity of Shares as discussed above; (ii) the fund raising needs of the Group for its long term business growth as discussed above; and (iii) the Qualifying Shareholders cannot participate in the placing of new shares to avoid dilution of their shareholding interest in the Company, we concur with the Directors' view that placing of new shares may not be suitable to the Company.

Taking into account the feasibility of various fund-raising methods and the pros of the Rights Issue compared to alternative methods as discussed above, the Directors consider and we concur with their view that the Rights Issue is the most suitable fund-raising method to the Group under the current circumstances.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (3) Principal terms of the Rights Issue

The Board proposes to conduct the Rights Issue on the basis of three (3) Rights Share for every one (1) Share held on the Record Date.

#### (a) *Rights 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 the Latest Practicable Date	:	75,000,000 Shares
Number of Rights Shares to be issued	:	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)
Undertaken 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 Rights Issue	:	Up to HK\$27,000,000
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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). 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).

As of the Latest Practicable Date, the Company did 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.

**(b) *The Subscription Price***

As stated in the section headed “Proposed Rights Issue – Subscription Price” in the Letter from the Board, the Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the business trend and trading prospects of the Group, including the macro-economy which remained unclear and the retail industry in Hong Kong which had not fully recovered in the opinion of the Company, (iii) the low trading volume of the Shares in the past twelve months; (iv) the prevailing market conditions of the capital market in Hong Kong; and (v) 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 the Letter from the Board.

As shown in the paragraphs headed “Historical price performance of the Shares” below, the closing price (assuming share consolidation has become effective) moved downwards gradually from HK\$0.38 to less than HK\$0.2 in the Review Period and trading liquidity of the Shares was thin. We understood from the Company that one of the reasons why a deep discount of Subscription Price to the closing price of the Shares is given is to attract subscription of Rights Shares by Qualifying Shareholders and Placing Shares by places given the market sentiment in the capital market in Hong Kong as a whole. We noted that the market sentiment in the capital market in Hong Kong is uncertain, as indicated by the fluctuation in the average daily turnover of equities on the Hong Kong stock market. As released in the website of the Stock Exchange, such average daily turnover increased from around HK\$69,000 million in January and February 2024 to around 87,000 million in March and April 2024, and further to over HK\$111,000 million in May 2024. However, such increasing trend could not maintain in June 2024 and the average daily turnover declined to HK\$86,000 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Subscription Price represents:

- (i) a discount of approximately 33.7% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) a discount of approximately 32.6% to the average of the 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;
- (iv) a discount of approximately 38.1% to the average of the 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;
- (v) 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;
- (vi) 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 (5) consecutive trading days prior to the Last Trading Day of approximately HK\$0.179 per Share); and
- (vii) 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).

### *Historical price performance of the Shares*

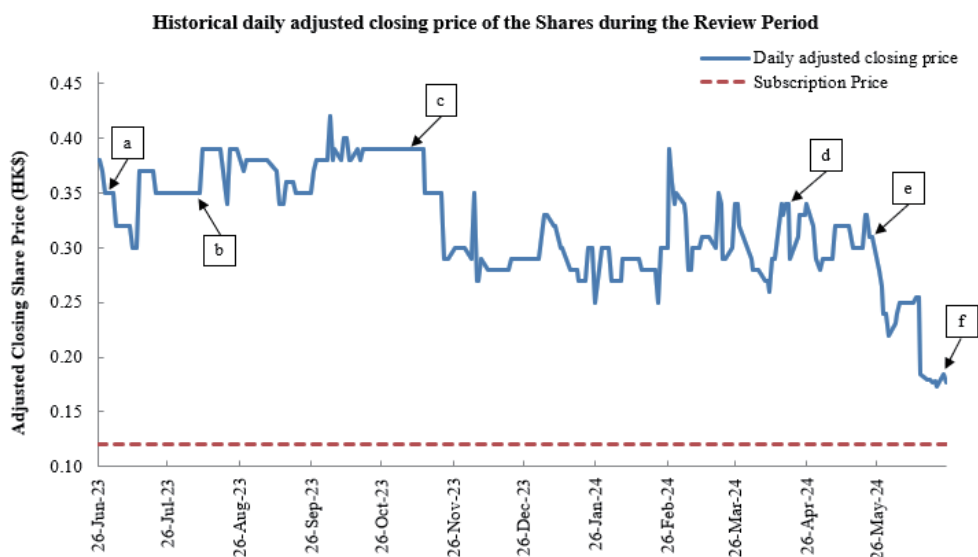
The chart below depicts the daily closing price level of the Share from 26 June 2023, being 12 months immediately preceding the Last Trading Day, up to and including the Last Trading Day (the “**Review Period**”), and the comparison of the Share price performance with the Subscription Price:



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

Note: For illustration and comparison purpose, the closing price of the Shares during the Review Period before the effective date of the share consolidation of 28 May 2024 shown in the price chart above and the analysis below was the theoretical closing price per Share after taking into account the effect of the share consolidation based on the closing price of the Shares as quoted on the Stock Exchange.

Announcement/publication of

- a- (29 Jun 2023) 2022/23 AR
- b- (8 Aug 2023) quarterly results and report for the three months ended 30 June 2023 (“1Q 2023/24”)
- c- (8 Nov 2023) interim results and report for the six months ended 30 September 2023 (“1H 2023/24”)
- d- (18 Apr 2024) share consolidation
- e- (24 May 2024) poll results of extraordinary general meeting approving the share consolidation
- f- (24 Jun 2024) results for FY2024

We consider the length of the Review Period to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares.

There was a downward trend of the daily closing price per Share from HK\$0.38 on 26 June 2023 to HK\$0.3 on 11 July 2023, then went upward reaching HK\$0.42 on 4 October 2023. After that, the closing price per Share moved within the range from HK\$0.25 (26 January 2024) to HK\$0.39 (27 February 2024). During such period, financial reports for FY2023, 1Q 2023/24 and 1H 2023/24 were published by the Company after trading hours on 29 June 2023, 8 August 2023 and 8 November 2023 respectively. On 18 April 2024, the Company announced a proposed share consolidation which was approved by the then Independent Shareholders at the extraordinary general meeting of the Company on 24 May 2024. On 24 June 2024, the annual results announcement for FY2024 was published. As confirmed by the Directors, other than the aforesaid announcements, they are not aware of the reasons leading to the price movement in the Review Period.

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The Subscription Price represents a discount to the closing price of Shares throughout the Review Period. Taking into account (i) it is considered reasonable and a common practice among the other rights issues transactions as shown below to set the subscription price at a discount to closing price in order to attract qualifying shareholders to take part in the rights issue; (ii) the fair and reasonable view based on analysis of the discount of the Subscription Price to the LTD Price, ATD Price and Ex-rights Price as compared with the Comparables as shown in the paragraphs headed “Comparison with other rights issues” below; and (iii) the Rights Issue is crucial to the Group to finance its business expansion, we concur with the Company’s view that the Subscription Price is fair and reasonable.

### *Comparison with other rights issues*

To further assess the fairness and reasonableness of the Subscription Price, we have conducted market research on the rights issue exercises announced in the twelve-month period preceding the Last Trading Day and up to including the Latest Practicable Date (i.e. from 26 June 2023 to 16 July 2024) (the “**Comparison Review Period**”) based on two selection criteria, including (i) rights issues conducted by other companies listed on the Stock Exchange (except those terminated or lapsed); and (ii) rights issues that had excess application but no compensatory arrangement. An exhaustive list of 20 rights issues transactions (the “**Comparables**”) can be identified, which is considered a sufficient and reasonable sample size to provide a fair and representative reference of the recent market practice in relation to the principal terms of rights issue for our comparable analysis.

Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. No direct correlation between market capitalisation or fundraising scale of the Comparables with the discount of subscription price offered is noted from the Comparables as shown in the table below. The discount of subscription price to LTD Price of one Comparable can be deeper than other Comparables with market capitalisation/fundraising scale higher or lower than its market capitalisation/fundraising scale. Hence, market capitalisation or fundraising scale is not considered a relevant factor in selecting Comparables.

We also consider that the Comparison Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue with excess application arrangement. If the Comparison Review Period is shortened to six months, the sample size that can be identified would drop to 12 Comparables only, a much smaller size which is considered not representative for analysis.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below provides a summary of our findings:

Date of announcement	Company name	Stock code	Market capitalisation (HK\$ million)	Maximum gross proceeds (HK\$ million)	Entitlement	Premium/ (Discount) of subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement ("LTD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement ("ATD Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/ to theoretical ex-rights price on LTD Price ("Ex-rights Price") (%)	Premium/ (Discount) of subscription price per rights issue share over/ to published consolidated net asset value attributable to the shareholders per share ("NAV per share") (%)	Theoretical dilution effect (Note 3) (%)	Underwriting commission (Note 4) (%)	Excess application (Yes/No)	Placing commission (Note 4) (%)
19 Jun 2024	Bony International Holding Limited	1906	516.0	73.5	1 for 4	(43.02)	(43.55)	(38.16)	(14.93)	(8.71)	N/A	Yes	N/A
4 Jun 2024	MMG Limited ("MMG")	1208	33,094.9	9,079.4	2 for 5	(31.41)	(35.59)	(24.65)	(32.51)	(10.17)	2.25	Yes	N/A
16 May 2024	Fujian Holdings Limited	8196	90.0	45.0	1 for 2	–	(10.71)	–	8.70	(4.60)	N/A	Yes	N/A
18 Apr 2024	Shin Hwa World Limited	582	197.8	263.7	2 for 1	(33.33)	(32.29)	(22.31)	(98.22)	(22.22)	1	Yes	N/A
8 Apr 2024	China Unicom Group Company Limited	2330	67.2	91.6	2 for 1	(31.8)	(31.8)	(22.7)	(71.2)	(22.7)	N/A	Yes	2.5
8 Apr 2024	Hong Tai Consumables Group Limited	197	36.8	18.4	1 for 2	–	–	(8.82)	(96.04)	(11.00)	N/A	Yes	N/A
20 Mar 2024	Aidajiang Material & Child Health Limited	286	301.6	62.1	1 for 3	(38.24)	(42.47)	(8.82)	(79.61) <sup>y</sup>	(18.80)	7.07	Yes	N/A
26 Feb 2024	Raily Aesthetic Medicine International Holdings Limited	2135	238.2	20.8	1 for 3	(74.04)	(75.25)	(69.52)	(65.7) <sup>y</sup>	(18.81)	0.5	Yes	N/A
21 Feb 2024	Guoren Holdings Limited	8121	13.0	17.3	2 for 1	(33.3)	(35.3)	(14.3)	(60.9)	(23.5)	7.07	Yes	N/A
21 Feb 2024	Green Economy Development Limited	1315	85.5	36.2	1 for 2	(15.26)	(15.71)	(10.56)	(5.85) <sup>y</sup>	(5.26)	N/A	Yes	N/A
19 Feb 2024	Ta Yang Group Holdings Limited	1991	173.8	87.7	1 for 2	(9.77)	(11.76) <sup>y</sup>	(6.98)	7.14	(3.68)	N/A	Yes	N/A
9 Feb 2024	Wuxi Life International Holdings Group Limited ("Wuxi Life")	8148	19.1	30.5	2 for 1	(20.0)	(24.1) <sup>y</sup>	(7.7) <sup>y</sup>	96.72 <sup>y</sup>	(17.28)	N/A	Yes	N/A
28 Dec 2023	Elife Holdings Limited	223	460.6	97.8	1 for 5	3.53	4.02	2.92	354 <sup>y</sup>	–	A fixed fee of HK\$50,000 or 2.5%, whichever is higher	Yes	N/A
1 Dec 2023	China Financial Leasing Group Limited	2912	30.9	20.8	1 for 1	(32.6)	(32.4)	(19.5)	(64.0)	(16.3)	1	Yes	N/A
28 Nov 2023	IBO Technology Company Limited	2708	104.1	254.5	3 for 1	(25.17)	(25.68)	(7.56)	(86.71) <sup>y</sup>	(19.26)	2	Yes	N/A
21 Nov 2023	Gansu Holdings Limited	8282	24.7	13.2	1 for 2	6.8	8.3	4.5	(23.1) <sup>y</sup>	–	3.0	Yes	N/A
17 Nov 2023	Da Yu Financial Holdings Limited	1073	153.8	170.9	1 for 1	11.11	11.11	4.90	(64.29)	–	N/A	Yes	N/A
6 Nov 2023	Zhejiang Expressway Co., Ltd. ("Zhejiang Expressway")	576	8,545.8	6,700.6	3.8 for 10	(31.88)	(31.33)	(25.32)	(49.19) <sup>y</sup>	(8.78)	1.60	Yes	N/A
11 Sep 2023	Asian Citrus Holdings Limited	73	127.5	43.7	1 for 2	(33.96)	(33.96)	(25.53)	(58.33) <sup>y</sup>	(11.32)	A fixed fee of HK\$50,000 and 2.5%	Yes	N/A
3 Sep 2023	Rare Earth Magnesium Technology Group Holdings Limited	601	52.5	16.6	1 for 2	(39.85)	(31.62)	(30.43) <sup>y</sup>	(96.52) <sup>y</sup>	(13.53)	7.07	Yes	N/A
25 Jun 2024	The Company	8537			3 for 1	(32.2)	(32.6)	(10.4)	(87.4)	(24.6)	N/A	Yes	1.00 (or HK\$30,000), whichever is higher
					<b>Maximum</b>								
					<b>Minimum</b>								
					<b>Average</b>								
					<b>Median</b>								

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

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*Notes:*

1. Relevant percentages of the Comparables have been extracted from the relevant announcements of their rights issue. For those Comparables (marked with # above) of which the relevant percentages were not shown in their rights issue announcements and/or for consistency in the calculation, their percentages are recalculated based on financial figures extracted from their other publications including financial reports.
2. Being the premium/(discount) of the subscription price over/to the NAV per share, which is calculated by the net asset value attributable to the shareholders of the Comparables, disclosed in the latest publications prior to or on the last trading day, divided by the number of issued shares on the last trading day.
3. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules, or extracted from announcement, circular or prospectus in respect of the relevant right issue.
4. In order to calculate the average, minimum and maximum percentage of the underwriting/placing commission of the Comparables, we have excluded the fixed fee of underwriting/placing commissions.
5. MMG (1208) shall pay the underwriters the sum of (i) 2% fixed commission; and (ii) an additional discretionary incentive fee up to 0.5% of the aggregate subscription price in respect of the underwritten shares. An average underwriting commission of 2.25% is assumed for illustrative purpose.
6. According to the clarification announcement issued by Wuxi Life (8148) on 14 February 2024, the theoretical dilution effect should be approximately 17.28%.
7. This extraordinary high figure of over 350% premium, compared to that of the other Comparables which ranged from a premium of approximately 96.72% to a discount of approximately 98.22%, was considered as outlier and was excluded in the analysis of subscription price to net asset value per share.
8. Zhejiang Expressway (576) shall pay the underwriters the sum of (i) 1.2% fixed commission; (ii) an additional incentive fee of not more than 0.1%; and (iii) an additional underwriting commission of 0.35% of the aggregate subscription price in respect of the underwritten shares. An average underwriting commission of 1.6% is assumed for illustrative purpose.

According to our research, we observed that 16 out of the 20 Comparables had set the subscription price of their rights issue at a discount to (i) the LTD Price; (ii) the ATD Price; and/or (iii) the Ex-rights Price. It indicates that it is common for listed companies to set such discounts with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 74.04% with average and median discounts of approximately 23.61% and 31.61% respectively. The discount of approximately 32.2% of the Subscription Price to the LTD Price of the Company falls within the range of, and slightly exceeds the median of, those of the Comparables.

The subscription price to the ATD Price of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 75.25% with average and median discounts of approximately 24.50% and 31.48% respectively. The discount of approximately 32.6% of the Subscription Price to the ATD Price of the Company falls within the range of, and slightly exceeds the median of, those of the Comparables.

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The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 4.90% to a discount approximately 69.52% with average and median discounts of approximately 16.09% and 12.43% respectively. The discount of approximately 10.4% of the Subscription Price to the Ex-rights Price of the Company falls within the range of, and lower than both the average and median of, those of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 96.72% to a discount of approximately 98.22% with average and median discounts of approximately 44.98% and 60.90% respectively. The discount of approximately 87.4% of the Subscription Price to the audited consolidated net asset value attributable to the owners of the Company per Share as at 31 March 2024 falls within the range of those of, and approaches the maximum discount to NAV per share of 98.22% among, the Comparables. We understood from the Company that, taking into account the funding needs of the Group, a substantial discount of Subscription Price to NAV per Share given to attract subscription by Qualifying Shareholders and Placees is justifiable.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from nil to approximately 23.50% with average and median of approximately 10.86% and 10.59% respectively. The theoretical dilution effect of the Rights Issue of approximately 24.6% exceeds the high-end of the range of the Comparables.

Despite the theoretical dilution effect of the Rights Issue is slightly above the range of that of the Comparables, taking into account (i) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price, the ATD Price and the Ex-rights Price with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (ii) the discounts of the Subscription Price to the LTD Price, the ATD Price, the Ex-rights Price and the NAV per share of the Company fall within discount ranges of the Comparables; (iii) the Rights Issue is crucial to the Group to raise fund for its business expansion taking into account the Group's cash position as at 31 March 2024 which is not sufficient to satisfy the Group's funding needs; and (iv) the uncertainty in the market sentiment in Hong Kong capital market given the fluctuation of average daily turnover of equities as discussed above, the Subscription Price was set at such discount so as to encourage Shareholders in taking up their entitlements to maintain their shareholdings in the Company thereby minimizing dilution impact, we consider the Subscription Price and the dilution impact is fair and reasonable.

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(c) *Placing Agreement*

As stated in the Letter from the Board, pursuant to the Placing Agreement, 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.

The placing price (the “**Placing Price**”) per Placing Share is HK\$0.12. The Placing Price, being equal to the Subscription Price, is considered fair and reasonable as all the Qualifying Shareholders and the placees are treated equally given the discount to closing price of the Shares being offered to them by the Company are the same. Should they have confidence on the Group’s prospects and intend to subscribe new Shares, it would be more favourable to them to subscribe the Rights Shares and the Placing Shares respectively, instead of buying the Shares from the market.

A commission of 1% (the “**Placing Commission**”) 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. The commission 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. The placing commission of HK\$130,000 is determined based on the fee rate of 1% of the maximum aggregate placing amount, i.e. 1% of 101,250,000 Shares (being the maximum number of Placing Shares, excluding the Rights Shares which MGH Limited will take up in accordance with the Irrevocable Undertaking and before the Scaling-down, 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) multiplied by the Placing Price of HK\$0.12 per Share, rounded up to the nearest HK\$10,000. The commission of HK\$130,000 represented 1.07%, as calculated by HK\$130,000 divided by the maximum placing proceeds of HK\$12,150,000 (being HK\$0.12 times 101,250,000 Shares).

As set out in the table under paragraph headed “Comparison with other rights issues” above, only 1 Comparable adopted placing in addition to excess application arrangement similar to the Rights Issue, of which the placing commission was 2.5% which is much higher than the Placing Commission of 1%. Meanwhile, it is noted that the underwriting commission paid to the underwriters by the Comparables ranged from 0.5% to 7.07% with average and median of approximately 3.13% and 2.38% respectively. It is considered that the underwriting commission is of similar nature with that of the Placing Commission, as both being fee incurred for the underwriting/placing of the rights shares which (i) are unsubscribed; and/or (ii) would otherwise have been provisionally allotted to the excluded shareholders that have not been sold), we consider that such underwriting commission range of the Comparables can provide a fair and representative reference of recent market practice to justify the Placing Commission. Taking into account (i) the Placing Commission of 1% (or 1.07% as

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represented by HK\$130,000) falls within the underwriting commission range, and lower than the median and average of commission, of the Comparables; (ii) the uncertainty in the market sentiment in the capital market in Hong Kong as indicated by the fluctuation of average daily turnover of equities on the Hong Kong stock market as discussed above and thus a placing commission is required an incentive for placing agent to procure placees; and (iii) the Placing Commission (1% or HK\$130,000) is determined between the Company and the Placing Agent after arm's length negotiation taking into account the expected effort of the Placing Agent in procuring Placees, the Placing Commission (1% or HK\$130,000) is considered fair and reasonable.

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, may be deducted from the proceeds of the Rights Issue to be paid by the Placing Agent to the Company.

Pursuant to GEM Listing Rule 10.31, in every rights issue, the issuer must make arrangements to dispose of securities not subscribed by allottees under provisional letters of allotment or their renounces by either excess application or compensatory arrangement. As advised by the Company, they have considered the two means and has adopted excess application arrangement to dispose of the Untaken Shares and the ES Unsold Rights Shares, after taking into account this arrangement offers all Qualifying Shareholders an opportunity to increase their shareholding interest in the Company in addition to their entitled portion at a discount to the closing price of the Shares.

Taking into account (i) the Company has complied with the requirements under relevant GEM Listing Rule in disposing the Untaken Shares and the ES Unsold Rights Shares; (ii) the excess application arrangement, instead of compensatory arrangement, allows all Qualifying Shareholders an opportunity to increase their shareholding interest in the Company in addition to their entitled portion at a discount to the closing price of the Shares; and (iii) the Placing can facilitate the subscription of those untaken or unsold shares so as to maximise the proceeds to be received by the Company from the Rights Issue, which is the purpose of conducting the Rights Issue, i.e. financing the funding needs of the Group, we concur with the Directors' view that adoption of excess application arrangement plus Placing, instead of compensatory arrangement, is fair and reasonable.

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Taking into consideration (i) the Subscription Price is fair and reasonable and the placing price shall be the same as the Subscription Price; (ii) the Placing offers an additional means to facilitate the subscription of the Untaken Shares and ES Unsold Rights Shares to the maximum extent given the funding needs of the Company and its difficulties in conducting alternative fund-raising methods as discussed in the paragraphs headed “Reasons for the Rights Issue” above; and (iii) the Placing Commission as compared with the Comparables is fair and reasonable, we concur with the Directors’ view that the terms of the Rights Issue and the Placing are fair and reasonable, and the Rights Issue and the Placing are in the interests of the Company and the Shareholders as a whole.

#### (4) Financial impacts of the Rights Issue

Set out below is the analysis of the financial impacts of the Rights Issue as estimated by the Company. The analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

##### (a) *Liquidity*

As stated in the 2023/24 AR, the bank balances and cash of the Group amounted to approximately HK\$11.2 million as at 31 March 2024. The net proceeds from the Rights Issue of approximately HK\$26 million would increase the Group’s amount of bank balances and cash. As estimated by the Company, assuming the Rights Issue had completed on 31 March 2024 and other factors remain unchanged, the current ratio of the Group calculated by dividing current assets by current liabilities would increase from approximately 1.88 times before completion of the Rights Issue to 2.49 times after completion of the Rights Issue as at 31 March 2024. Hence, it is expected that the Group’s liquidity position would be improved as a result of the Rights Issue.

##### (b) *Net tangible assets*

As stated in the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, as if the Rights Issue had taken place on 31 March 2024, the net tangible assets of the Group attributable to the Shareholders as at 31 March 2024 would increase from approximately HK\$70.9 million to HK\$96.9 million. The unaudited pro forma consolidated net tangible asset value per Share attributable to the Shareholders as at 31 March 2024 would decrease to HK\$0.323 from HK\$0.946 as the Subscription Price represented a discount to the net asset value per Share as at 31 March 2024.



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*(c) Gearing ratio*

As stated in the 2023/24 AR, the Group calculated its gearing ratio by dividing total debts (total debts are defined to include payables incurred not in the ordinary course of business) by total equity as at the end of each financial year/period. Such ratio was approximately 32.1% as at 31 March 2024. The net proceeds from the Rights Issue of approximately HK\$26 million would increase the Group's amount of bank balances and cash. As estimated by the Company, assuming the Rights Issue had completed on 31 March 2024 and other factors remain unchanged, the gearing ratio of the Group would decrease to approximately 23.5% after completion of the Rights Issue as at 31 March 2024.

**(5) Possible dilution effect**

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue or do not take up their full provisional allotments under the Rights Issue can, subject to the then prevailing market conditions, consider selling their Nil-Paid Rights in the market. However, they should note that their shareholdings in the Company will be diluted, depending on the extent to which they subscribe for the Rights Shares, upon completion of the Rights Issue.

The table below illustrates the respective shareholding structure of the Company (i) as at the Latest Practicable Date; (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); and (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):

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	(i) As at the Latest Practicable Date		(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 Places) (Note 4)		(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 Places)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
	Date							
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
Places (Note 3)	-	-	-	-	-	-	101,250,000	33.75
Other Public Shareholders	33,750,000	45	135,000,000	45	33,750,000	17	33,750,000	11.25
<b>Total</b>	<b>75,000,000</b>	<b>100</b>	<b>300,000,000</b>	<b>100</b>	<b>198,750,000</b>	<b>100</b>	<b>300,000,000</b>	<b>100</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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. In the event that the taking up of the Rights Shares by Mr. Fu, Ms. Fu and Ms. Cheung through MGH Limited pursuant to the Irrevocable Undertaking triggers non-compliance of the Public Float Requirements, Mr. Fu, Ms. Fu and Ms. Cheung shall cause the shareholding of MGH Limited in the Company to be scaled down so as to comply with the Public Float Requirements.
5. All amounts have been rounded to the nearest full figure where applicable.
6. 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 Requirements where necessary.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and their shareholding interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) all Qualifying Shareholders have the opportunity to realise their Nil-Paid Rights in the market; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group, we concur with the Directors' view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro rata Rights Shares, is acceptable and justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, in particular, (i) the improving financial performance of the Group for FY2024 with profit for the year of approximately HK\$1.6 million compared to loss for the year of approximately HK\$7.7 million and HK\$2.2 million for FY2022 and FY2023 respectively, which demonstrated the Company's effort made in operating the business of the Group, an important factor which the Qualifying Shareholders are recommended to take into account in deciding whether to subscribe for the Rights Shares; (ii) the funding needs of the Group to finance its business expansion and repayment of bank borrowings; (iii) internal resources of the Group has to be retained to support its operation needs; (iv) the Rights Issue is considered the most suitable financing method to the Group compared to bank borrowings, placing of new shares other than the Placing Shares and open offer; (v) the terms of the Rights Issue and Placing is considered fair and reasonable; (vi) the positive impact on the Group's liquidity position and gearing ratio as a result of the Rights Issue; and (vii) the Qualifying Shareholders can maintain and even increase their shareholding interest in the Company by participating into the Rights Issue, we are of the view that the Rights Issue and the Placing is in the interests of the Company and the Shareholders as a whole and the terms of it are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the relevant resolutions at the EGM in relation to the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Capital 9 Limited**

**Tan Ye Kai Byron**      **Chan Man Yee**  
*Director*                      *Director*

*Tan Ye Kai Byron and Chan Man Yee are licensed persons and responsible officers of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 25 years and 15 years of experience in the corporate finance industry.*

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## APPENDIX I FINANCIAL INFORMATION OF THE GROUP

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### 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Company are disclosed in the annual reports of the Company for the three financial years ended 31 March 2022, 2023 and 2024.

The above-mentioned financial information have been published and is available on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.chongfaiholdings.com](http://www.chongfaiholdings.com)):

- (a) annual report of the Company for the year ended 31 March 2022 published on 29 June 2022 (pages 106 to 208)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0629/2022062900957.pdf>)

- (b) annual report of the Company for the year ended 31 March 2023 published on 29 June 2023 (pages 107 to 212)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0629/2023062900596.pdf>)

- (c) annual report of the Company for the year ended 31 March 2024 published on 8 July 2024 (pages 106 to 224)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0708/2024070800469.pdf>)

### 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 May 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the Group had outstanding unsecured bank borrowings of approximately HK\$21.8 million and lease liabilities of approximately HK\$10.5 million. The unsecured bank borrowings were guaranteed by HKMC Insurance Limited under the SME Financing Guarantee Scheme and personal guaranteed by Mr. Fu Chun Keung, the ultimate controlling party of the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any debt securities, liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges, bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 31 May 2024.

**3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group including the estimated net proceeds from the Rights Issue of approximately HK\$26,000,000, cash and cash equivalents on hand, cash flows from operating activities and available banking facilities, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

The Company has obtained the relevant confirmation as required under GEM Rule 12.23A(1) of the GEM Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is a vertically integrated jeweller based in Hong Kong and is primarily engaged in the retail of its own products through its network of seven retail stores under the brand name of “Chong Fai Jewellery (創輝珠寶)” strategically located in Kowloon and the New Territories.

The Group’s principal products are jewellery products including gem-set jewellery and gold jewellery products, which are produced in-house at its production facility in Shenzhen, PRC. The Group also engages in the wholesale of its jewellery products to other jewellery retailers, and sale of recycled gold products which are collected from the general public.

For the year ended 31 March 2024, the revenue of the Group increased by approximately HK\$5.5 million, or approximately 4.0%, from approximately HK\$136.8 million for the year ended 31 March 2023 to approximately HK\$142.3 million for the year ended 31 March 2024. The gross profit of the Group increased by approximately HK\$7.1 million, or approximately 22.1%, from approximately HK\$32.1 million for the year ended 31 March 2023 to approximately HK\$39.2 million for the year ended 31 March 2024.

As at 31 March 2024, the total assets of the Group amounted to approximately HK\$118.1 million (2023 (Restated): approximately HK\$128.3 million), which was financed by total liabilities and shareholders’ equity (comprising share capital and reserves) of approximately HK\$47.2 million (2023 (Restated): approximately HK\$58.1 million) and approximately HK\$70.9 million (2023 (Restated): approximately HK\$70.2 million), respectively.

During the year ended 31 March 2024, although there was resumption of normal customs clearance between the Mainland China and Hong Kong, the retail industry had not fully recovered, and the macro-economy remained unclear. Despite the changing market environment, the Group relied on its in-depth understanding of the market and consumer trends and made good use of operating resources, which allowed the Group to turn losses into profits during the year.

Although the retail industry in Hong Kong has shown a relatively weak market sentiment and the market rental for commercial leases has shown a downward trend, the Company is confident that market participants would be able to leverage on the opportunity offered in the lowered rental costs in Hong Kong. The Company intends to expand its retail store network by the end of 2024 and renovate its existing retail stores by the end of 2025 with a view of establishing a better brand image.

Looking forward, as the economic environment of Hong Kong becomes better, the Group will seek to expand the Group's jewellery design collection in line with the needs and preferences of the customers and market trends, and expand its retail presence to capture a wider range of market opportunities. As released by the World Gold Council, the gold price climbed to approximately HK\$18,646 per ounce in late May 2024 from approximately HK\$16,175 per ounce in early January 2024. In view of the upward trend of gold price during the recent months, if the upward trend continues, it will further boost the Group's business in the sales of gold jewellery products and the trading of recycled gold products in 2024 and 2025. The Group is in the course of extending its marketing campaign to the social media in hope that it will bring a desirable return to the Shareholders and sustain a long-term growth of the Group.

*For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED  
NET TANGIBLE ASSETS**

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024, as if the Rights Issue had taken place on 31 March 2024.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 31 March 2024 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024, which is extracted from the published annual report of the Company for the year ended 31 March 2024, and adjusted as described below.



**APPENDIX II**

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

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 <i>HK\$'000</i> <i>(note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 immediately after the completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 March 2024 before the completion of the Rights Issue <i>HK\$</i> <i>(note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 March 2024 immediately after the completion of the Rights Issue <i>HK\$</i> <i>(note 4)</i>
Based on 225,000,000 Rights Shares to be issued at Subscription Price of HK\$0.12 per Rights Share	70,924	26,000	96,924	0.95	0.32

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 is extracted from the published annual report of the Company for the year ended 31 March 2024, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2024 of approximately HK\$70,924,000.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$26,000,000 are based on 225,000,000 Rights Shares (assuming the Rights Issue is subscribed in full and no further issue or repurchase of Shares up to and including the Record Date) to be issued at the Subscription Price of HK\$0.12 per Rights Share, after deduction of estimated related expenses payable by the Company.
- (3) The number of Shares and audited consolidated net tangible assets of the Group attributable to owners of the Company used for the calculation of the audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 March 2024 before the completion of the Rights Issue, is based on 75,000,000 Shares in issue as at 31 March 2024 and approximately HK\$70,924,000 as at 31 March 2024, respectively.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 March 2024 immediately after completion of the Rights Issue as if the Rights Issue had been completed on 31 March 2024. The (a) number of Shares and (b) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 March 2024 immediately after completion of the Rights Issue is (a) 300,000,000 Shares, which consists of (i) 75,000,000 Shares in issue as at 31 March 2024 and (ii) 225,000,000 Rights Shares and (b) the aggregate of approximately HK\$70,924,000 as at 31 March 2024 and the estimated net proceeds of HK\$26,000,000 from the Rights Issue.
- (5) Save as disclosed above, no adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2024.

**B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Chong Fai Jewellery Group Holdings Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chong Fai Jewellery Group Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 March 2024, and related notes as set out on pages II-1 to II-2 of Appendix II to the circular issued by the Company dated 17 July 2024 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three rights shares for every one share held on the record date at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”) on the Group's financial position as at 31 March 2024 as if the Rights Issue had taken place as at 31 March 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2024, on which an annual report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or the transaction as at 31 March 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11<sup>th</sup> Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

17 July 2024

**Lam Wai Ping**

Practising Certificate No.: P07826

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following completion of the Increase in the Authorised Share Capital but before completion of the Rights Issue; and (iii) immediately following completion of the Rights Issue (assuming no further issue or repurchase of Shares and that the Rights Issue is fully subscribed or placed pursuant to the Placing Agreement) are as follows:

**As at the Latest Practicable Date:***Authorised*

150,000,000 Shares of a par value of HK\$0.1 each	HK\$15,000,000.00
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*Issued and fully paid:*

75,000,000 Shares of a par value of HK\$0.1 each	HK\$7,500,000.00
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**Immediately following completion of the Increase in Authorised Share Capital but before completion of the Rights Issue:***Authorised*

7,500,000,000 Shares of a par value of HK\$0.1 each	HK\$750,000,000.00
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*Issued and fully paid:*

75,000,000 Shares of a par value of HK\$0.1 each	HK\$7,500,000.00
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**Immediately following completion of the Rights Issue (assuming no further issue or repurchase of Shares and that the Rights Issue is fully subscribed or placed pursuant to the Placing Agreement):***Authorised*

7,500,000,000 Shares of a par value of HK\$0.1 each	HK\$750,000,000.00
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*Issued and fully paid:*

300,000,000 Shares of a par value of HK\$0.1 each	HK\$30,000,000.00
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The Rights 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 allotment of the fully-paid Rights Shares.

The Company did 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 and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (a) Director's and chief executive's interests and short positions in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange, pursuant to the GEM Listing Rules relating to securities transactions by the Directors were as follows.

*Long position in the Shares*

Name of Director	Capacity/nature of interest	Number of Shares interested	Approximate percentage shareholding as at the Latest Practicable Date
Mr. FU Chun Keung ("Mr. Fu") (Note 1)	Interest in controlled corporation	41,250,000	55%
Ms. FU Wan Ling ("Ms. Fu") (Note 1)	Interest in controlled corporation	41,250,000	55%
Ms. CHEUNG Lai Yuk ("Ms. Cheung") (Note 1 and 2)	Interest in controlled corporation, interest of spouse	41,250,000	55%

*Notes:*

- 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 Existing 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.
- 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.
- All amounts have been rounded to the nearest full figure where applicable.

**(b) Associated corporation**

Name of Director	Name of associated corporation	Capacity in which the shares were held	Number of Shares held/ interested in the associated corporation	Approximate percentage of the total issued shares in the associated corporation
Mr. Fu	MGH Limited	Beneficial owner	7,611 Shares (L)	76.11%
Ms. Fu	MGH Limited	Beneficial owner	48 Shares (L)	0.48%
Ms. Cheung	MGH Limited	Beneficial owner	23 Shares (L)	0.23%



Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which notification is required to be given to the Company pursuant to section 347 of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required to be notified to the Company and the Stock Exchange, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

**(c) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows.

*Long position in the Shares*

<b>Name of Shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares interested</b>	<b>Approximate percentage shareholding as at the Latest Practicable Date</b>
Mythe Group Holdings Company Limited	Beneficial owner	41,250,000	55%
FENG JingXin	Beneficial owner	3,750,000	5%

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which notification is required to be given to the Company pursuant to section 324 of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO. None of the Directors is a director or employee of any substantial shareholder of the Company.

**4. DIRECTORS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS OF SIGNIFICANCE**

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not expiring or determinable by the Group within one (1) year without payment of any compensation, other than statutory compensation.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

**7. LITIGATION**

Neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm there is no material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. MATERIAL CONTRACTS**

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during the two years preceding the date of this circular:

- (1) the Placing Agreement; and
- (2) the Irrevocable Undertaking

**10. RISK FACTORS**

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but is not limited to, the following:

- (a) the prices of the Group's products are subject to a number of factors, including the price of jewellery raw material, consumer demand, market supply and substitutions available etc. Price fluctuation of jewellery raw materials could materially and adversely affect the Group's business. If there is a continuous decline in the prices of the products, the profitability of the Group will be adversely affected;
- (b) the Group's products are competitive and subject to challenges such as changing market trends, ability to meet customer's expectations, pressure from rising production costs, volatile product prices and substitution of products. If the Group fails to respond to changes in market conditions and the market demand, the financial performance of the Group will be adversely affected;
- (c) the Group may not be able to renew the leases of its retail stores which may affect its business and operation when the relevant leases expire or terminate. The Group cannot guarantee its leases will be renewed in accordance with the existing terms, such as without increase in rent, or other terms which are acceptable to the Group. Upon the expiration or termination of its leases, if the Group cannot renew the leases on the same or more favourable terms, its business, financial conditions and operation may be adversely affected;
- (d) the Group's trade receivables are subject to credit risk. If the counter-parties default on their settlements to the Group, the Group may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such counter-parties. Non-payment or delays in payment may materially and adversely affect the Group's business, financial conditions, results of operations and prospects;

- (e) The Group's operations and revenue are mainly derived from Hong Kong. Any major changes to Hong Kong's social and economic landscape will have a huge impact on the Group's business; and
- (f) the changes in the macro-economic situation and other factors such as instability of regulations, government policies and economy may have adverse effect on the Group's business, financial condition and results.

## 11. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Grant Thornton Hong Kong Limited	Certified Public Accountants
Capital 9 Limited	A corporation licensed by the Securities and Futures Commission to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the experts named above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Board of Directors</b>	<i>Executive Directors</i> Mr. Fu Chun Keung Ms. Cheung Lai Yuk Ms. Fu Wan Ling  <i>Independent non-executive Directors</i> Mr. Chan Chi Ming Tony Mr. Chan Cheong Tat Mr. Wong Wing Keung Meyrick
<b>Registered Office</b>	PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	No. 6-13, Faerie Court 80 Ko Shan Road, Hung Hom Kowloon, Hong Kong
<b>Compliance officer</b>	Ms. Cheung Lai Yuk
<b>Authorised representatives</b>	Mr. Fu Chun Keung Mr. Wong Ho Pang
<b>Company secretary</b>	Mr. Wong Ho Pang No. 6-13, Faerie Court 80 Ko Shan Road, Hung Hom Kowloon, Hong Kong
<b>Independent Financial Adviser</b>	Capital 9 Limited Room 1219, 12/F Bank of America Tower 12 Harcourt Road Central Hong Kong
<b>Legal adviser to the Company</b>	<i>As to Hong Kong law:</i> Patrick Mak & Tse Rooms 901-905, 9/F, Wing On Centre 111 Connaught Road Central Hong Kong  <i>As to Cayman Islands law:</i> Maples and Calder (Hong Kong) LLP 26/F, Central Plaza 18 Harbour Road Wan Chai Hong Kong

<b>Reporting accountants</b>	Grant Thornton Hong Kong Limited 11 <sup>th</sup> Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
<b>Placing Agent</b>	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited 17/F Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
<b>Principal banker</b>	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
<b>Nanyang Commercial Bank Limited</b>	151 Des Voeux Road Central Hong Kong
<b>Stock Code</b>	8537
<b>Company website</b>	<a href="http://www.chongfaiholdings.com/">http://www.chongfaiholdings.com/</a>

**13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

Mr. Fu Chun Keung (“**Mr. Fu**”)

Mr. Fu, aged 56, was appointed as an executive Director of the Company in January 2018 and as the chairman and the chief executive officer in April 2018. Mr. Fu is the major founder of the Group which was established in 1997, and now responsible for supervising overall management and strategy planning of the Group as well as its daily operation and management.

Mr. Fu is the spouse of Ms. Cheung Lai Yuk, an executive Director, and the younger brother of Ms. Fu Wan Ling, an executive Director.

Ms. Cheung Lai Yuk (“**Ms. Cheung**”)

Ms. Cheung, aged 51, was appointed as an executive Director in March 2018. Ms. Cheung is the head of the Group’s procurement department, and is responsible for formulating corporate and business strategies. Ms. Cheung has over 20 years’ experience in the jewellery industry and joined the Group since 1999. Ms. Cheung was awarded by the GIA a certificate for completing the requirements of the program in Diamond Essentials in November 2014, and a certificate for completing the requirements of the program in Diamonds and Diamond Grading as well as a diploma certificate for completing the diploma program in Graduate Diamonds respectively in January 2015. Ms. Cheung is the spouse of Mr. Fu and the sister-in-law of Ms. Fu Wan Ling, an executive Director.

Ms. Fu Wan Ling (“**Ms. Fu**”)

Ms. Fu, aged 63, was appointed as an executive Director in March 2018. Ms. Fu is responsible for formulating the overall strategy, supervising the administration and overseeing the inventory of the Group. Ms. Fu has over 20 years of experience in the jewellery industry and joined the Group since August 1997. Ms. Fu is the elder sister of Mr. Fu and the sister-in-law of Ms. Cheung.

**Independent non-executive Directors**

Mr. Chan Cheong Tat (“**Mr. Chan**”)

Mr. Chan, aged 74, is an independent non-executive Director since September 2018. Mr. Chan is responsible for supervising and providing independent judgment to the Board.

Mr. Chan has over 32 years of working experience in the Inland Revenue Department. He was an assistant commissioner responsible for tax compliance before he retired in 2005.

Mr. Chan is the sole director of a tax consultancy company, C T Tax Consultants Limited since 2006. Further, Mr. Chan is an independent non-executive director of Medicskin Holdings Limited (stock code: 8307) since 2014; an independent non-executive director of Hyfusin Group Holdings Limited (stock code: 8512) since 2018; an independent non-executive director of Accel Group Holdings Limited (stock code: 1283) since February 2020; an independent non-executive director of Ye Xing Group Holdings Limited (stock code: 1941) since February 2020; an independent non-executive director of Wasion Group Holdings Limited (stock code: 3393) since June 2020; and a non-executive director of Alpha Financial Group Limited since September 2019. He was also an independent non-executive director of Man Sang International Limited (stock code: 938) from 2015 to 2016 and Guangdong Tannery Limited (stock code: 1058) from 2006 to 2020.

Mr. Chan graduated from Central Queensland University of Australia with a master's degree in financial management in 1995. He has been an associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) (U.K.) since 1974 and The Hong Kong Institute of Chartered Secretaries since 1994. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since 1986; a fellow member of the Association of Chartered Certified Accountants since 1983; and a fellow member of the Australian Society of Certified Practising Accountants since 1990.

Mr. Chan Chi Ming, Tony (“**Mr. Tony Chan**”)

Mr. Tony Chan, aged 56, is an independent non-executive Director since September 2018. Mr. Tony Chan is responsible for supervising and providing independent judgment to the Board. Mr. Tony Chan possesses over 20 years of experience in the field of business advisory, accounting, and auditing.

Mr. Tony Chan obtained a bachelor's degree in commerce (major in Accounting) from the Australian National University in 1990. He is a member of the Hong Kong Institute of Certified Public Accountants since 2012 and a member of the CPA Australia (formerly known as Australian Society of Certified Practising Accountants) since 1993.

Mr. Tony Chan was an independent non-executive director of Theme International Holdings Limited (stock code: 990) from 2015 to 2021.

Mr. Tony Chan was a non-executive director of Good Fellow Healthcare Holdings Limited (stock code: 8143) from 2016 to 2018 and re-designated as an executive director in 2018 and resigned from the position in 2019. Mr. Tony Chan also served as an executive director of Wan Kei Group Holdings Limited (stock code: 1718) from 2016 to 2018.



Mr. Wong Wing Keung Meyrick (“**Mr. Wong**”)

Mr. Wong, aged 66, is an independent non-executive Director since September 2018. Mr. Wong is responsible for supervising and providing independent judgment to the Board. Mr. Wong is currently practising as a barrister-at-law in Hong Kong.

Mr. Wong obtained his Bachelor of Laws from The University of London in 1987. Mr. Wong was called to the degree of utter barrister of the Honourable Society of Gray’s Inn in 1989 and obtained a Master of Laws in international economic law from The Chinese University of Hong Kong in 2009 and a Postgraduate Diploma in Corporate Governance and Directorship jointly issued by Hong Kong Baptist University and The Hong Kong Institute of Directors in 2011.

Mr. Wong obtained a degree in Master of Science in Corporate Governance and Directorship (Distinction) issued by Hong Kong Baptist University in 2011. Mr. Wong is also a Chartered Engineer, a member of the Institute of Energy, Institution of Mechanical Engineers, and Institution of Engineering and Technology.

#### **Audit Committee**

The Audit Committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Mr. Tony Chan and the other members are Mr. Chan and Mr. Wong. The primary duties of the Audit Committee are, among other matters, to review the Company’s financial information and to monitor the Company’s financial reporting system, risk management and internal control systems. The Audit Committee is also tasked with making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors, effectiveness of the internal audit functions, audit plans and relationship with external auditors and reviewing the Group’s financial and accounting policies and practices.

#### **Senior Management**

##### *Company secretary*

Mr. Wong Ho Pang is the Company Secretary. He is a member of the Hong Kong Institute of Certified Public Accountants.

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

The business address of the Directors is the same as the Company’s principal place of business in Hong Kong.

**14. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1,000,000, which are payable by the Company.

**15. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chongfaiholdings.com](http://www.chongfaiholdings.com)) for 14 days from the date of this circular:

- (i) the letter from the Independent Financial Adviser, the text of which is set out on pages 40 to 65 of this circular;
- (ii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (iii) the material contracts referred to in the paragraph headed “9. Material contracts” in this appendix; and
- (iv) the written consent from the Experts as referred to in the paragraph headed “11. Experts and consents” in this appendix.

**16. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (iii) As at the Latest Practicable Date, there was no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group’s business.
- (iv) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Chong Fai Jewellery Group Holdings Company Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong on Thursday, 8 August 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as resolutions of the Company:

Unless otherwise specified, capitalised terms defined in the circular dated 17 July 2024 issued by the Company (the “**Circular**”) shall have the same meanings when used herein.

### ORDINARY RESOLUTIONS

1. “**THAT**
  - (a) the authorised share capital of the Company be increased 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 (the “**Increase in Authorised Share Capital**”); and
  - (b) any one or more Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital (including without limitation instructing the registered office provider of the Company to make the necessary filings with the Registrar of Companies in the Cayman Islands).”

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## NOTICE OF EGM

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2. “**THAT** conditional upon the passing of resolution number 1 as set out above and the Increase in Authorised Share Capital becoming effective, and subject to the satisfaction of the conditions set out in the Letter from the Board under the heading “Conditions of the Rights Issue” in the Circular:
- (a) the allotment and issue by way of rights of not more than 225,000,000 Rights Shares at the Subscription Price of HK\$0.12 per Rights Share on the basis of three Rights Shares for every one Share in issue held by the Qualifying Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on the legal opinions to be provided by the legal advisers of the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements under the laws of the relevant regulatory body(ies) or stock exchange(s) in such place(s), and substantially on the terms and conditions set out in the Circular (a copy of which marked “A” is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved, confirmed and ratified;
  - (b) the placing agreement (the “**Placing Agreement**”) dated 25 June 2024 entered into between the Company and First Shanghai Securities Limited (a copy of which marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Shares which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of HK\$0.12 on a best-efforts basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) any one or more Directors be and is/are hereby authorised to allot and issue the Rights Shares (which shall include the Placing Shares) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong;
  - (d) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; and

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## NOTICE OF EGM

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- (e) any one or more Directors be and is/are hereby authorised to instruct the Company's branch share registrar and transfer office in Hong Kong to make entries in the register of members of the Company in connection with the Rights Issue and that any Director be instructed to prepare, sign, seal (if required) and deliver on behalf of the Company share certificates accordingly."

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

Hong Kong, 17 July 2024

*Registered office:*

PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Principal place of business:*

No. 6-13, Faerie Court  
80 Ko Shan Road, Hung Hom  
Kowloon, Hong Kong

*Notes:*

1. For determining shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 2 August 2024 to Thursday, 8 August 2024, both days inclusive, during which period no transfer of the Shares will be registered. To be eligible to attend and vote at the Meeting, unregistered holders of the Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 August 2024.
2. Any shareholder of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy does not have to be a shareholder of the Company.
3. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the Meeting (or any adjournment thereof).
4. Completion and delivery of a form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Shares, any one of such joint holders may vote at the Meeting, either in person or by proxy in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint holders is present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such Shares shall alone be entitled to vote in respect thereof.
6. A form of proxy for use at the Meeting is attached herewith.
7. Any voting at the Meeting shall be taken by poll.

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## NOTICE OF EGM

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8. The form of proxy shall be signed by a shareholder of the Company or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney authorised.
9. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.chongfaiholdings.com](http://www.chongfaiholdings.com) and on the “Latest Listed Company Information” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the Company of the date, time, and place of the rescheduled meeting.

*As at the date of this notice, 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.*