
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Chong Fai Jewellery Group Holdings Company Limited**, you should at once hand this Prospectus to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “15. Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this Prospectus (including, without limitation, agents, custodians, nominees and trustees) should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction for which the Company will not accept any liability. In particular, subject to certain exceptions as determined by the Company, this Prospectus and the PAL should not be distributed, forwarded to or transmitted in, into or from any jurisdiction where such release or distribution might be unlawful.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both 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 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 and you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



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)

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

Placing Agent



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

The Rights Issue is on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. There are no requirements under the laws of the Cayman Islands and the Company's memorandum and articles of association for a minimum level or amount of subscription in respect of the Rights Issue. Nevertheless, the Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board – Conditions of the Rights Issue” in this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be Thursday, 19 September 2024). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Shares have been dealt in an ex-rights basis from Monday, 12 August 2024. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 23 August 2024 to Friday, 30 August 2024 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in Nil-Paid Rights during the period from Friday, 23 August 2024 to Friday, 30 August 2024 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

The Latest Time for Acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 4 September 2024. The procedures for acceptance and payment and/or transfer are set out on pages 17 to 18 of this prospectus.

21 August 2024

CHARACTERISTICS OF GEM

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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EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue and the Placing which is for indicative purposes only and is subject to change. All times and dates in this prospectus refer to Hong Kong local times and dates. It has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable.

All time and date references contained in this Prospectus shall refer to Hong Kong local time and dates.

Events	Date and Time
Despatch date of the Prospectus Documents (including the PAL and the Prospectus), and in case of the Excluded Shareholders, the Prospectus only	Wednesday, 21 August 2024
First day of dealings in Nil-Paid Rights (in board lots of 10,000 Rights Shares)	Friday, 23 August 2024
Latest time for splitting of PAL	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 results of the Rights Issue, the application for excess Rights Shares and 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

EXPECTED TIMETABLE

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 Placing	Wednesday, 25 September 2024
Despatch of certificates for fully-paid Rights Shares and/or refund cheques (if the Rights Issue does not proceed).	Thursday, 26 September 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 27 September 2024
Payment of Net Gain to relevant No Action Shareholders or Excluded Shareholders (if any) (<i>note</i>)	Monday, 14 October 2024

Note:

There is application for the excess Rights Shares (please refer to the section headed under “Application and payment for the excess Rights Shares on pages 19 to 20 of this Prospectus) 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).

Dates or deadlines specified in the expected timetable above or in other parts of this Prospectus are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if a tropical cyclone warning signal no.8 or above, or “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance 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 section headed “Expected timetable” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Prospectus, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“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 meaning ascribed thereto under to 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
“Circular”	the circular of the Company dated 17 July 2024 in relation to, among other things, the Increase of Authorised Share Capital, Rights Issue, and the Placing
“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 Arrangements”	compensatory arrangement has the meaning ascribed to it under Rule 10.31(1)(b) of the GEM Listing Rules
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“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)”	the director(s) of the Company

DEFINITIONS

“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 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
“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 dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 which came into effect on the date of the EGM
“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 Shareholders”	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 Prospectus
“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 Practicable Date”	Tuesday, 13 August 2024, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“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
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code

DEFINITIONS

“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
“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) to the Company and amongst each other, 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

DEFINITIONS

“Placing Completion Date”	Thursday, 19 September 2024 or such later date as the Company may announce
“Placing End Date”	Thursday, 19 September 2024
“Placing Long Stop Date”	4:00 p.m. on Thursday, 19 September 2024
“Placing Period”	the period from Thursday, 12 September 2024 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Share(s)”	the Untaken Shares and the ES Unsold Rights Shares
“Posting Date”	Wednesday, 21 August 2024, or such other day as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
“PRC”	the People’s Republic of China, which for the purpose of this 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(7) of the GEM Listing Rules
“Qualifying Shareholders”	Shareholder(s) whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Tuesday, 20 August 2024, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of up to 225,000,000 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date payable in full on acceptance

DEFINITIONS

“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of the Nil-Paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation; or which may result in non-compliance of the Public Float Requirements
“Scaling-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 (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate to allot, issue, and deal with the Placing Shares approved as an ordinary resolution of the Shareholders at the EGM, which 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

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.12
“Substantial Shareholder(s)”	has the meaning as ascribed to this term under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Untaken Shares”	the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the EAF(s)
“%”	per cent.

LETTER FROM THE BOARD



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

21 August 2024

To the Qualifying Shareholders and, for information purpose only, the Excluded Shareholders

Dear Sir or Madam,

**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**

INTRODUCTION

References are made to the Announcement and the Circular.

On 25 June 2024, the Company proposed to conduct the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share. Up to 225,000,000 Rights Shares (assuming no further issue or repurchase of Shares up to and including the Record Date) may be issued pursuant to the Rights Issue, raising gross proceeds of up to HK\$27,000,000.

At the EGM, the resolutions for approving, among other things, the Rights Issue, the Increase in Authorised Share Capital, the Placing and the transactions contemplated thereunder, were duly passed by the Independent Shareholders by way of poll. MGH Limited and its associates, Mr. Fu, Ms. Fu and Ms. Cheung abstained from voting in favour of the proposed resolution approving the Rights Issue and the Placing.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among other things, (i) further information on the Rights Issue; and (ii) certain financial and other general information of the Group.

1. 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 the 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)
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).

LETTER FROM THE BOARD

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 18.4% to the closing price of HK\$0.147 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 33.0% to the average closing price of HK\$0.179 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the Last Trading Day;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 24.72%, 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 immediately prior to the Last Trading Day of approximately HK\$0.179 per Share); and

LETTER FROM THE BOARD

(viii) 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 24.72%, respectively. Despite the theoretical dilution effect of 24.72%, 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 Prospectus.

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.

The closing prices of the Shares have shown an overall downward trend for the past 12 months prior to the Last Trading Day, from the maximum of HK\$0.420 on Wednesday, 4 October 2023 to the minimum of HK\$0.173 on Friday, 21 June 2024 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 downward trend of the closing prices of the Shares, and 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 Prospectus, the Subscription Price was set at a discount to (i) the benchmarked price of the Shares; (ii) the minimum closing price of the Shares prior to the Last Trading Day; and (iii) the consolidated net asset value per Share attributable to the Shareholders as described above to lower the further investment costs of the Shareholders and to enable Shareholders in making commercially viable decisions, in taking up the Rights Shares amid the relatively low trading volume of the Shares, by setting the Subscription Price at the said discounts, so as to encourage Shareholders in taking up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact.

LETTER FROM THE BOARD

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\$0.189 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 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 GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations;

LETTER FROM THE BOARD

- (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, except for condition (i) which has been satisfied and conditions (ii) and (iii) above which are expected to have been fulfilled on the Posting Date, none of the conditions have been satisfied.

LETTER FROM THE BOARD

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.

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 will 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).

LETTER FROM THE BOARD

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 on a pro-rata basis; 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 on a pro-rata basis.

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.

Considering that (i) there are no requirements under the law of Cayman Islands and the Company’s constitutional documents regarding the minimum level of acceptance of the provisionally allotted Rights Shares, (ii) the Irrevocable Undertaking of MGH Limited to subscribe for 123,750,000 Rights Shares (subject to any scaling-down requirement), representing 55% of the maximum number of Rights Shares to be issued pursuant to the Rights Issue, which in turn warrants 55% of the maximum proceeds to be raised from the Rights Issue, (iii) the relatively low viability in proceeding the Rights Issue on a fully-underwritten basis by engaging an independent underwriter due to the relatively weak market sentiments (as disclosed under the section headed “The Subscription Price” in this Prospectus), and (iv) the Placing arrangement in place, the Board considered that the Rights Issue on a non-underwritten basis, regardless of the level of acceptance of the provisionally allotted Rights Shares, is in the interest of the Company and its Shareholders as a whole.

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.

LETTER FROM THE BOARD

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.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

The Company despatched the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Prospectus, without the PAL and the EAF, is sent to the Excluded Shareholders solely for their information.

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 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, based on the register of members of the Company, the Company has no Overseas Shareholder with registered address situated outside Hong Kong. The register of members of the Company was closed from Wednesday, 14 August 2024 to Tuesday, 20 August 2024 (both days inclusive), therefore, the Company will not have any Overseas Shareholder as at the Record Date.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Odd lot arrangement

No odd lot matching services will be provided.

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” below.

Procedures for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Wednesday, 4 September 2024. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to “**TRICOR TRUST (HONG KONG) LIMITED – A/C NO.49**” and crossed “**Account Payee Only**”.

LETTER FROM THE BOARD

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Wednesday, 4 September 2024, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for excess application under the EAF by other Qualifying Shareholders. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation no later than 4:30 p.m. on Tuesday, 27 August 2024, to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier order, whether by a Qualifying Shareholder or by any nominated transferees, will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to obtain permission of the offering of the Rights Shares or the distribution of the Prospectus Documents in any jurisdiction other than Hong Kong. Accordingly, no person receiving a copy of the Prospectus Documents in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in the relevant jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make on his/her/its behalf an application for the Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of all relevant jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith.

No receipt will be issued in respect of any application monies received.

LETTER FROM THE BOARD

Application and payment for the excess Rights Shares

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

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

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

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

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

LETTER FROM 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.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Wednesday, 4 September 2024. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to “**TRICOR TRUST (HONG KONG) LIMITED – A/C NO.50**” and crossed “**Account Payee Only**”.

The EAF is for use by the Qualifying Shareholder to whom it is addressed and is not transferrable. No receipt will be issued in respect of any application monies received in respect of the excess 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 around Thursday, 26 September 2024, to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all the fully-paid Rights Shares issued and allotted to the allottee.

LETTER FROM THE BOARD

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on Wednesday, 25 September 2024. If no excess Rights Shares are allotted to the applicant, refund cheques will be despatched on or around Thursday, 26 September 2024 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. If the number of excess Rights Shares allotted to the applicant is less than the number applied for, a cheque for the surplus application monies (without interest) will be posted to the applicant at his/her/its registered address by ordinary post at his/her/its own risk. Such posting is expected to take place on or around Thursday, 26 September 2024. Any such cheque will be drawn in favour of the person(s) named on the EAF.

Application for listing

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the equity or debt 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.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

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 Shares, which are registered in the register of members of the Company, and subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

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.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of (i) stamp duty, (ii) the Stock Exchange trading fee, (iii) SFC transaction levy and (iv) any other applicable fees and charges in Hong Kong.

PLACING OF UNTAKEN SHARES AND ES UNSOLD RIGHTS SHARES

The Placing

On 25 June 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best-efforts basis, Placees to subscribe for the Placing Shares (i.e. the Untaken Shares and the ES Unsold Rights Shares) on the terms and subject to the conditions set out in the Placing Agreement.

Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue through the PAL(s) and/or EAF(s), the Placing will not proceed.

Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Placing Agent : First Shanghai Securities Limited

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.

LETTER FROM THE BOARD

- 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.

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).

LETTER FROM THE BOARD

- 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 and independent amongst each other; (ii) such that no placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under an MGO Obligation as a result of the Placing.
- Ranking : The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

Placing Shares

The number of Placing Shares shall be 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, 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 before Scaling-down will be 101,250,000 Shares, representing approximately 135% of the total number of issued Shares before completion of the Rights Shares and approximately 33.75% of the total number of issued Shares as enlarged by the issue of the Rights Shares, and the maximum number of Placing Shares after Scaling-down will be 165,000,000, representing approximately 220% of the total number of issued Shares before completion of the Rights Shares and approximately 55% 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 18.4% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (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 33.0% to the average closing price of HK\$0.179 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the Last Trading Day;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) a theoretical dilution effect of approximately 24.72% 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);
- (viii) 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.

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Therefore, although the placing price represents a discount of 33.0% to the benchmarked price of HK\$0.179 per Share (as defined under Rule 10.44A of the GEM Listing Rules), having balanced the interests of the Company, the Shareholders and investors who would like to participate in the Group's future development, the Directors consider that the terms of the Placing, including the placing price and the placing commission, are on normal commercial terms, fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

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

- (a) the passing of necessary resolution(s) at the EGM to approve, among other things, the Increase in Authorised Share Capital, Rights Issue, and the Placing (including the Specific Mandate) by the Shareholders;
- (b) the Increase in Authorised Share Capital of the Company having become effective;
- (c) the electronic submission of the Prospectus Documents for authorization by the Stock Exchange and registration by the Companies Registry of Hong Kong not later than the Posting Date;
- (d) posting of the Prospectus Documents to the Qualifying Shareholders and posting of Prospectus for information only to the Excluded Shareholders on or before the Posting Date;
- (e) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (including the Placing Shares), in nil-paid and fully-paid forms;
- (f) the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement on or before the Placing Long Stop Date; and
- (g) the representation, warranties and undertakings of the Company as set out in the Placing Agreement remain true and accurate in all material respects.

The Placing Agent may at any time by notice in writing to the Company waive the Conditions Precedent set out in item (g). Save and except the Conditions Precedent set out in item (g), the other Conditions Precedent are incapable of being waived. As at the Latest Practicable Date, except for conditions (a) and (b) which has been satisfied and conditions (c) and (d) above which are expected to have been fulfilled on the Posting Date, none of the conditions have been satisfied.

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.

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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 (being the Placing End Date) 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 UNTAKEN SHARES AND ES UNSOLD RIGHTS SHARES – Conditions of the Placing” of this Prospectus, are not satisfied and/or waived in whole or in part by the Placing Agent by the Placing Long Stop Date or such other date as the Company and the Placing Agent may agree, the Placing Agreement shall terminate.

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

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

- (a) any of the following which will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudices the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

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- (ii) the occurrence, happening, coming into effect or becoming public knowledge of (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten consecutive Business Days (other than pending publication of the Announcement or any other document relating to the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof; or
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Placing Agent will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (c) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, military conflict, strike or lock-out which in the reasonable opinion of the Placing Agent materially or adversely affects the business or financial or trading position or prospects of the Group as a whole;
- (d) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Placing Agreement which, in the reasonable opinion of the Placing Agent, is or might be material to the Group taken as a whole; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing,

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

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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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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 UNTAKEN SHARES AND ES UNSOLD RIGHTS SHARES – Conditions of the Placing” of this Prospectus, 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

Date of Announcement	Stock Code	Placing Commission	Approximate Maximum Fund Raised (HKD)
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

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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%.

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

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.

In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of the Nil-Paid Rights together with the ES Unsold Rights Shares will be placed to independent Placers on a best effort basis pursuant to the Placing. Any Untaken Shares and ES Unsold Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Dealings in the Shares have been on dealt in an ex-rights basis from Monday, 12 August 2024. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 23 August 2024 to Friday, 30 August 2024 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in Nil-Paid Rights during the period Friday, 23 August 2024 to Friday, 30 August 2024 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

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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) <i>(note 4)</i>		(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, which is being scaled-down, and no Untaken Shares and ES Unsold Rights Shares are placed to the Placees)		(v) 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, which is being scaled-down, and all scale-down Shares, Untaken Shares and ES Unsold Shares are fully placed to the Placees)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. FU Chun Keung ("Mr. Fu") <i>(Note 1)</i>	41,250,000	55	165,000,000	55	165,000,000	83	101,250,000	75	101,250,000	33.75
Ms. FU Wan Ling ("Ms. Fu") <i>(Note 1)</i>	41,250,000	55	165,000,000	55	165,000,000	83	101,250,000	75	101,250,000	33.75
Ms. CHEUNG Lai Yuk ("Ms. Cheung") <i>(Note 1 and 2)</i>	41,250,000	55	165,000,000	55	165,000,000	83	101,250,000	75	101,250,000	33.75
MGH Limited <i>(Note 1)</i>	41,250,000	55	165,000,000	55	165,000,000	83	101,250,000	75	101,250,000	33.75
Placees <i>(Note 3)</i>	–	–	–	–	–	–	–	–	165,000,000	55
Other Public Shareholders	33,750,000	45	135,000,000	45	33,750,000	17	33,750,000	25	33,750,000	11.25
Total	75,000,000	100	300,000,000	100	198,750,000	100	135,000,000	100	300,000,000	100

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.

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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, the Company will cause the shareholding of MGH Limited in the Company to be scaled down so as to comply with the Public Float Requirements. This column is for illustrative purpose only.
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 Requirement where necessary.

The Public Float Requirements will 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 (and including all times after completion of the Rights Issue and before Placing of the Placing Shares) in compliance with Rule 11.23 of the GEM Listing Rules.

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.

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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\$5 million of disposable cash and bank balances, which is expected to be utilized within 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.

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

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- (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.

RISK FACTORS

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group:

- (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;

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- (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.

ADDITIONAL INFORMATION

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

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

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

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) and the Company's website (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 30 June 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Prospectus, the Group had outstanding unsecured bank borrowings of approximately HK\$21.3 million and unsecured and unguaranteed lease liabilities of approximately HK\$9.7 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 30 June 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 Prospectus.

The Company has obtained the relevant confirmation as required under 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\$19,141 per ounce in early August 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 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 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 (note 5) 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 (note 5) 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) Assuming that the share consolidation of every ten issued and unissued Shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated Share of par value of HK\$0.1 each in the share capital of the Company, approved at the Extraordinary General Meeting on 24 May 2024, had been effective as at 31 March 2024 for the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets of the Group.
- (6) 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 Prospectus.

**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 Prospectus issued by the Company dated 21 August 2024 (the “**Prospectus**”). 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 Prospectus.

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 Prospectus 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

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

21 August 2024

Lam Wai Ping

Practising Certificate No.: P07826

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) 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*

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 equity or debt 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 Rules 5.46 to 5.67 of 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

Name of Shareholder	Capacity/nature of interest	Number of Shares interested	Approximate percentage shareholding as at the Latest Practicable Date
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 Prospectus:

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

10. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice which are contained in this Prospectus:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants

As at the Latest Practicable Date, the expert named above (i) has given and has not withdrawn its written consent to the issue of this Prospectus 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.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors***Executive Directors*

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

Independent non-executive Directors

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

Registered Office	PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarter and principal place of business in Hong Kong	No. 6-13, Faerie Court 80 Ko Shan Road, Hung Hom Kowloon, Hong Kong
Compliance officer	Ms. Cheung Lai Yuk
Authorised representatives	Mr. Fu Chun Keung Mr. Wong Ho Pang
Company secretary	Mr. Wong Ho Pang No. 6-13, Faerie Court 80 Ko Shan Road, Hung Hom Kowloon, Hong Kong
Independent Financial Adviser	Capital 9 Limited Room 1219, 12/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Legal adviser to the Company	<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
Reporting accountants	Grant Thornton Hong Kong Limited 11 th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

Placing Agent	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 17/F Far East Finance Centre 16 Harcourt Road Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Principal banker	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Nanyang Commercial Bank Limited	151 Des Voeux Road Central Hong Kong
Stock Code	8537
Company website	http://www.chongfaiholdings.com/

12. 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.

13. 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.

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed “Expert and Consent” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. DOCUMENTS ON DISPLAY

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

- (i) the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix;
- (ii) the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this Prospectus; and
- (iii) the written consent of the expert as referred to in the paragraph headed “10. Expert and Consent” in this Appendix.

17. 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 Prospectus shall prevail over their respective Chinese text for the purpose of interpretation.