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LARRY JEWELRY INTERNATIONAL COMPANY LIMITED

俊文寶石國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8351)

(1) PROPOSED CAPITAL REORGANISATION;

(2) PROPOSED CHANGE IN BOARD LOT SIZE;

AND

(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF

FIVE (5) RIGHTS SHARES FOR

EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE

Financial Adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter to the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises:

- (i) the Share Consolidation whereby every twenty (20) Existing Shares in issue will be consolidated into one (1) Consolidated Share;
- (ii) the Capital Reduction whereby: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the nominal value of all the then issued Consolidated Shares shall be reduced from HK\$0.20 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the then Consolidated Shares in issue; and
- (iii) the credit arising from the Capital Reduction, which amounted to approximately HK\$34,374,734.2 based on the number of the Existing Shares in issue on the date of this announcement, be transferred to the Contributed Surplus Account for use by the Board in any manner permitted by Bermuda law and the Bye-laws.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 18,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.17 per Rights Share, to raise gross proceeds of approximately HK\$153.8 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date) and up to a maximum of approximately HK\$185.0 million before expenses (assuming 734,164,474 new Existing Shares are issued upon the exercise in full of the conversion rights attached to the Convertible Bonds and no other issue or repurchase of Shares on or before the Record Date) by way of the rights issuing not less than 904,598,265 Rights Shares and not more than 1,088,139,380 Rights Shares (assuming as aforesaid) to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders five Rights Share in nil-paid form for every one Adjusted Share held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The estimated net proceeds of the Rights Issue will be between approximately HK\$144.4 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and approximately HK\$174.0 million (assuming 734,164,474 new Existing Shares are issued upon exercise in full of the conversion rights attached to the Convertible Bonds and no other issue or repurchase of Shares on or before the Record Date). The Company intends to utilize the entire net proceeds from the Rights Issue for repayment of the outstanding Convertible Bonds, which includes (i) the 6.5% Convertible Bonds with the outstanding principal amount of HK\$100,000,000 as at the date of this announcement which are convertible into 400,000,000 Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price and (ii) the 7.5% Convertible Bonds with the outstanding principal amount of approximately HK\$100,249,342 as at the date of this announcement which are convertible into 334,164,474 new Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price.

OPTIONHOLDERS' UNDERTAKINGS AND UNDERWRITING AGREEMENT

As at the date of this announcement, pursuant to the Optionholders' Undertakings, each of the holders of the Share Options has provided irrevocable and unconditional undertakings to the Company and the Underwriter, among other things, not to exercise any of the Share Options granted to him/her on or before the Record Date.

On 30 July 2020 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue.

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 904,598,265 Rights Shares and not more than 1,088,139,380 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "THE UNDERWRITING AGREEMENT" in this announcement.

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

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

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders by way of poll at the SGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company did not have any controlling shareholder and none of the Directors has any interest in any Existing Shares.

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the SGM. None of the Shareholders or their associates would have any interest in the Capital Reorganisation, which is different from that of other Shareholders. Accordingly, no Shareholder would be required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the SGM.

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the terms and conditions of the Rights Issue. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards.

GENERAL

The SGM will be convened and held for (i) the Independent Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement); and (ii) the Shareholders to consider and, if thought fit, approve the Capital Reorganisation.

The circular containing, amongst other things, (i) details of the Capital Reorganisation; (ii) details of the Rights Issue (including the Underwriting Agreement); (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (v) a notice convening the SGM and other information required under the Listing Rules will be despatched to the Shareholders in due course. As additional time is required to prepare the aforesaid information to be included in the Circular, the Circular is expected to be despatched to the Shareholders on or before Monday, 31 August 2020.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises:

- (i) the Share Consolidation whereby every twenty (20) Existing Shares in issue will be consolidated into one (1) Consolidated Share;
- (ii) the Capital Reduction whereby: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the nominal value of all the then issued Consolidated Shares shall be reduced from HK\$0.20 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.19 on each of the then Consolidated Shares in issue; and
- (iii) the credit arising from the Capital Reduction, which amounted to approximately HK\$34,374,734.2 based on the number of the Existing Shares in issue on the date of this announcement, be transferred to the Contributed Surplus Account for use by the Board in any manner permitted by Bermuda law and the Bye-laws.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 comprising 10,000,000,000 Existing Shares of a par value of HK\$0.01 each, of which 3,618,393,070 Existing Shares have been issued and fully paid or credited as fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Adjusted Shares of a par value of HK\$0.01 each, and the aggregate nominal value of the issued share capital of the Company will be HK\$1,809,196.53 (assuming that no further Existing Shares are issued or repurchased from the date of this announcement until the effective date of the Capital Reorganisation). Based on the number of the Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$34,374,734.2 will arise as a result of the Capital Reduction. Such credit will be transferred to the Contributed Surplus Account which will then be applied by the Board in any manner permitted by Bermuda law and the Bye-laws of the Company.

Assuming no Existing Shares are issued or repurchased from the date of this announcement, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reorganisation
Authorized share capital	HK\$100,000,000	HK\$100,000,000
Par value	HK\$0.01	HK\$0.01
Number of authorized shares	10,000,000,000	10,000,000,000
Amount of issued share capital	HK\$36,183,930.70	HK\$1,809,196.53
Number of issued shares	3,618,393,070	180,919,653
Amount of unissued share capital	HK\$63,816,069.30	HK\$98,190,803.47
Number of unissued shares	6,381,606,930	9,819,080,347

Note: The above share capital structure of the Company is for illustration purpose only.

The Adjusted Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders, save for any fractional Adjusted Shares which may arise. No fractional Adjusted Shares will be issued by the Company. Any fractional entitlements of Adjusted Shares will be aggregated and sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation becoming effective and any Adjusted Shares which may fall to be allotted and issued upon exercise of the Share Options and the conversion rights attached to the Convertible Bonds;

- (iii) the compliance with the relevant procedures and requirements under the Bermuda law and the GEM Listing Rules to effect the Capital Reorganisation; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

The Capital Reorganisation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares arising from the Capital Reorganisation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Adjusted Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the Circular.

Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Capital Reorganisation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Adjusted Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Adjusted Shares will be issued in green colour in order to distinguish them from the existing purple colour.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation and any Adjusted Shares which may fall to be allotted and issued upon exercise of the Share Options and the conversion rights attached to the Convertible Bonds and all necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 18,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective.

The change in board lot size will not result in any change in the relative rights of the Shareholders.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 30 August 2019, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the closing price of HK\$0.012 per Existing Share on the Last Trading Day and assuming that the Capital Reorganisation and the Rights Issue having become effective and the dealings in the Adjusted Shares on an ex-rights basis having commenced, if the Adjusted Shares were continued to be trading in board lots of 20,000, the value of each board lot of Adjusted Shares would be above HK\$2,000.

Thus, the Board considers that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot, which will reduce the overall transaction and handling costs of dealing in the Adjusted Shares, including those fees, which are charged with reference to the number of board lots.

However, it was noted that a board lot holding of 20,000 Existing Shares would become 6,000 Adjusted Shares after the Capital Reorganisation having become effective and assuming full acceptance of the Rights Shares for one board lot on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on Record Date. The Board has considered different possible sizes of new board lot and concluded that the Change in Board Lot Size to 18,000 Adjusted Shares would minimise the odd lot of Adjusted Shares for those Qualifying Shareholders taking up the Rights Issue Shares when they have three board lots or above (before the Capital Reorganisation having become effective). The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

Moreover, as set out under the paragraph headed “Rights Issue — Subscription Price” below, the Directors are of the view that the Subscription Price of HK\$0.17 would attract the Qualifying Shareholders to participate in the Rights Issue. After the Share Consolidation becoming effective, the Consolidated Share will be of par value of HK\$0.20 each. However, pursuant to the Bye-laws, the Company shall not issue Shares at a price below par value. In order to lower the par value of the shares for facilitating the Rights Issue, it is necessary to implement the Capital Reduction. Please refer to the paragraph headed “Reasons for the Rights Issue” below for the reasons for and benefits of the Rights Issue.

In addition, the Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility in possible fund raisings in the future.

In view of the above, the Board considers that the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Capital Reorganisation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	: Five (5) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at 4:00p.m. on the Record Date
Subscription Price	: HK\$0.17 per Rights Share
Number of Shares in issue as at the date of this announcement	: 3,618,393,070 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	: 180,919,653 Adjusted Shares (assuming no further Shares are issued or repurchased up to the effective date of Capital Reorganisation)
Number of Rights Shares to be issued pursuant to the Rights Issue	: Not less than 904,598,265 Rights Shares, representing 500% of the Company's issued number of shares as at the date of this announcement (assuming the Capital Reorganisation has become effective) and 83.33% of the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 1,088,139,380 Rights Shares, representing approximately 601.4% of the Company's issued number of shares as at the date of this announcement (assuming the Capital Reorganisation has become effective) and 83.33% of the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming 734,164,474 new Existing Shares are issued upon the exercise in full of the conversion rights attached to the Convertible Bonds and no other issue or repurchase of Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares to be issued	: Not less than approximately HK\$9,045,982.65 and not more than approximately HK\$10,881,393.8
Right of excess applications	: Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are:

- (i) 144,500,000 outstanding Share Options, which are exercisable during the period from 1 September 2017 to 21 August 2027 entitling the holders thereof to subscribe for a total of 144,500,000 new Existing Shares at the prevailing exercise price;
- (ii) the 6.5% Convertible Bonds with an outstanding principal amount of HK\$100,000,000, which is convertible into 400,000,000 new Existing Shares upon exercise of the conversion rights thereunder in full at the prevailing conversion price of HK\$0.25 per conversion share; and
- (iii) the 7.5% Convertible Bonds with an outstanding principal amount of approximately HK\$100,249,342, which is convertible into 334,164,474 new Existing Shares upon exercise of the conversion rights thereunder in full at the prevailing price of HK\$0.3 per conversion share.

Save as disclosed above, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Assuming no Shares are issued or repurchased and no exercise of the conversion rights attached to the Convertible Bonds on or before the Record Date, the 904,598,265 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 500% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 83.33% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares. The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

The Subscription Price

The Subscription Price of HK\$0.17 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 29.17% to the theoretical closing price of HK\$0.24 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.012 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 29.17% to the theoretical closing price of HK\$0.24 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.012 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.57% to the average theoretical closing price of approximately HK\$0.238 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0119 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.59% to the theoretical ex-rights price of approximately HK\$0.182 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.012 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 60.47% to the net asset value of the Company of approximately HK\$0.43 per Adjusted Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$78.5 million as at 31 December 2019 and 180,919,653 Adjusted Shares assuming the Capital Reduction has become effective.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the factors below:

- (i) The trading volume of the Existing Shares has been low. The average daily trading volume was only approximately 13,448,087 Existing Shares as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the date of the Underwriting Agreement, which represented approximately 0.372% of the total number of issued Existing Shares. The unaudited profit of the Group for the year ended 31 December 2019 ("FY2019") decreased by approximately 23.44% as compared to the previous financial year. The Group also recorded unaudited net loss in the amount of approximately HK\$126.1 million for FY2019 whereas net profit in the amount of approximately HK\$251.8 million was recorded for the previous financial year. The Board believes that the social unrest and the novel coronavirus pandemic will likely worsen the financial performance of the Group, which is not expected to recover in the short run. In light of these factors and for the funding needs (the details of which are set out in the section headed "Use of Proceeds" below) of the Group, the Board is of the view that issuing new Adjusted Shares at a discount rate on current market price is justified to attract subscription by the Qualifying Shareholders.

- (ii) To assess the fairness and reasonableness of the discount rate, the Directors have considered the discount rate in rights issue transactions with underwriting agreement of an exhaustive list of fourteen listed companies for the period between 2 Jan 2020 to Last Trading day. The rate ranges from a discount of 0.00% to 64.00%. The discount of approximately 29.17% to the theoretical closing price of HK\$0.24 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.012 per Existing Share as quoted on the Stock Exchange on the Last Trading Day is in line with the market hence is fair and reasonable considering the size of the funds to be raised.

The gross proceeds from the Rights Issue will be not less than approximately HK\$153.8 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$185.0 million (assuming 734,164,474 new Existing Shares are issued upon the exercise in full of the conversion rights attached to the Convertible Bonds and no other issue or repurchase of Shares on or before the Record Date). The net proceeds from the Rights Issue will be not less than approximately HK\$144.4 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$174.0 million (assuming 734,164,474 new Existing Shares are issued upon the exercise in full of the conversion rights attached to the Convertible Bonds and no other issue or repurchase of Shares on or before the Record Date). The Company intends to utilize the entire net proceeds from the Rights Issue for repayment of the outstanding Convertible Bonds, which includes (i) the 6.5% Convertible Bonds with the outstanding principal amount of HK\$100,000,000 as at the date of this announcement which are convertible into 400,000,000 new Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price and (ii) the 7.5% Convertible Bonds with the outstanding principal amount of approximately HK\$100,249,342 as at the date of this announcement which are convertible into 334,164,474 new Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price.

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 Adjusted 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 which 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 payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at 4:00p.m. on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to 4:00 p.m. on the Record Date, all transfers of the Adjusted Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 29 September 2020.

It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is Friday, 25 September 2020, and the Adjusted Shares will be dealt with on an ex-rights basis from Monday, 28 September 2020.

Subject to the Capital Reorganisation becoming effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 30 September 2020 to Thursday, 8 October 2020 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Adjusted Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of five (5) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders 4:00 p.m. on the Record Date.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

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

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Excluded Shareholders which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares. Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following 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; and
- (ii) the excess Rights Shares will be allocated to the applicants 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.

Any Rights Shares not accepted for by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not taken by excess application will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

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 name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and 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.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 29 September 2020.

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Tuesday, 3 November 2020 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Tuesday, 3 November 2020 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 3 November 2020, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares. Fractional entitlements to any Rights Shares will be disregarded and will be aggregated (and rounded down the nearest whole number) 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 benefits and interests of the Company.

Taxation

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

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and full-paid forms will be in the new board lots of 18,000 Rights Shares.

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.

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

THE UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date : 30 July 2020 (after trading hours of the Stock Exchange)

Issuer : the Company

Underwriter : Emperor Securities

The Underwriter is a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons.

Number of Rights Shares underwritten by the Underwriter : not less than 904,598,265 Rights Shares and not more than 1,088,139,380

Underwriting Commission : 5% of the aggregate Subscription Price in respect of the Underwritten Shares

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not otherwise taken up.

The Optionholders' Undertakings

Pursuant to the Optionholders' Undertakings, each of the holders of the Share Options has (i) provided irrevocable and unconditional undertakings to the Company and the Underwriter, among other things, not to exercise any of the Share Options granted to him/her on or before the Record Date; and (ii) agreed the Company not to issue new Shares until after the Record Date if for any reason the holder of the Share Option breaches the aforesaid undertakings.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination, one or more of the following events or matters shall develop, occur, arise, exist, or come into effect:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Underwriting Agreement;
- (2) any local, national or international event or change (whether or not forming part of a series of events or changes occurring before the signing of the Underwriting Agreement and/or continuing after the signing of the Underwriting Agreement) of a social, political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, act of terrorism, strike or lock-out;

- (5) the imposition of any moratorium, suspension or material restriction on trading in the Shares, Consolidated Shares or Adjusted Shares (as the case may be) generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (6) any change or any development involving a prospective change in or any event or circumstance likely to result in a change or development involving a prospective change, in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the People's Republic of China or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs;
- (7) the Circular and/or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company in compliance with the GEM Listing Rules;
- (8) any order or (save for the Existing Winding-up Proceeding) petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (9) any order for winding up having been made against the Company under the Existing Winding-up Proceeding;
- (10) any order or judgment having been made against the Company under any of the Existing Litigations;
- (11) save for the Existing Litigations, any litigation, dispute, legal action, arbitration, proceeding or claim of any third party being threatened or instigated against any member of the Group; or
- (12) a creditor takes possession of all or a material part of the business or asset of any member of the Group or any execution or other legal process is enforced against all or a material part of the business or assets of any member of the Group and is not discharged within (7) days or such longer period as the Underwriter may approve,

which, individually or in aggregate, in the absolute opinion of the Underwriter:

- (a) has had or is/are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (b) is/are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares “taken up”; or
- (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (1) the passing by the Shareholders (or where appropriate, Independent Shareholders) at the SGM of the requisite resolutions to approve (i) the Capital Reorganisation; and (ii) the Underwriting Agreement and the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders) and the transaction respectively contemplated thereunder by no later than the Prospectus Posting Date;
- (2) the Capital Reorganisation having become effective;

- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in the Adjusted Shares arising from the Capital Reorganisation becoming effective and any Adjusted Shares which may fall to be allotted and issued upon exercise of the Share Options and the conversion rights attached to the Convertible Bonds;
- (4) the Listing Committee of the Stock Exchange 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 (in their nil-paid and fully-paid forms);
- (5) the filing and registration of the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (6) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (7) the Underwriting Agreement not having been terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (8) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (9) there being no breach of the undertakings and obligations of the holder of the Share Options under the Optionholders' Undertaking.

The conditions precedent set out in paragraphs (1) to (6) and (9) are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (8) in whole or in part by written notice to the Company.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions precedent set out in paragraphs (1) to (6) by the Latest Time Acceptance. If the conditions precedent set out in the above paragraphs are not satisfied (or, if applicable, waived by the Underwriter) by the Latest Time for Acceptance and/or the condition precedent set out in paragraph (8) does not remain fulfilled (unless waived by the Underwriter under the terms of the Underwriting Agreement) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the surviving provisions in relation to fees and expenses, indemnity, notices and governing law) and no party hereto will have any claim against any other party for cost, damages, compensation or otherwise (save in respect of any rights or obligations which may have accrued under the Underwriting Agreement prior to such termination), and the Rights Issue will not proceed.

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

The Company is an investment holding company. Its principal subsidiaries are engaged in design and retailing of jewelry products and sale of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the PRC.

In respect of the funding needs of the Group, the Company had considered other alternative fund raising methods available to the Group such as debt financing. However, management of the Company encountered difficulties in obtaining additional debt financing under the existing financing environment. Therefore, the Directors have considered other equity fund raising methods such as placing of new shares and open offers before resolving to the Rights Issue.

Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the right to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. Furthermore, placing of new Shares under general mandate can only raise funds in smaller size and if the Company offered a great discount to new subscriber(s) who is/are not existing Shareholder(s), it would further cause dilution impact to the existing Shareholders without being offered an opportunity to maintain their proportionate interests in the Company. Such arrangement would not be in the interest of the Shareholders as they cannot participate in the fund raising exercise.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). The Board considers that the Rights Issue effected on a pro-rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas open offer does not provide Shareholders with the flexibility to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or reduce their shareholding interests in the Company by disposing their rights entitlements in the open market. As such, the Board did not pursue an open offer which is considered to be less favourable to the Shareholders.

Furthermore, the Directors consider that the Rights Issue, which is on a fully underwritten basis, will allow the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position. Meanwhile, 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. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications.

The net proceeds from the Rights Issue are intended to be applied for repayment of the outstanding Convertible Bonds. As at 27 July 2020, the Group's outstanding Convertible Bonds amounted to principal amount of approximately HK\$200.2 million which must be settled as soon as practicable since the Convertible Bonds were already overdue. As the net proceeds of the Rights Issue will be insufficient to fully settle the Convertible Bonds, the Company intends to repay the shortfall by (i) the revenue generated mainly from pharmaceutical and health food products business of the Group or (ii) realized cash through the sale of non-core assets and investments of the Group in the PRC.

In conclusion, due to the unsatisfactory business performance of the Group it has an imminent need to raise sufficient cash to settle the indebtedness (including the Convertible Bonds) of the Group to avoid potential litigation. In light of the above, the Directors proposes the Capital Reorganisation, Change of Board Lot Size and the Rights Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares from the date of this announcement up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Capital Reorganisation becoming effective; and (iii) immediately after completion of the Rights Issue:

	As at the date of this announcement		Scenario I (assuming no issue of New Shares on or before the Record Date)						Scenario II (assuming issue of 734,164,474 new Existing Shares upon exercise in full of the conversion rights attached to the Convertible Bonds)			
			Immediately after the Capital Reorganisation becoming effective		Immediately after completion of the Rights Issue (assuming all Shareholders have taken up the Rights Shares)		Immediately after completion of the Rights Issue (assuming no Shareholders have taken up the Rights Shares)		Immediately after completion of the Rights Issue (assuming Shares are issued upon the exercise of the conversion rights attached to the Convertible Bonds in full and all Shareholders have taken up the Rights Shares)		Immediately after completion of the Rights Issue (assuming Shares are issued upon the exercise of the conversion rights attached to the Convertible Bonds in full and no Shareholders have taken up the Rights Shares)	
			No. of Existing Shares	Approximate % (Note 2)	No. of Adjusted Shares	Approximate % (Note 2)	No. of Adjusted Shares	Approximate % (Note 2)	No. of Adjusted Shares	Approximate % (Note 2)	No. of Adjusted Shares	Approximate % (Note 2)
Yap Allan	721,290,000	19.93	36,064,500	19.93	216,387,000	19.93	36,064,500	3.32	216,387,000	16.57	36,064,500	2.76
Public Shareholders												
Bondholders (Note 3)	-	-	-	-	-	-	-	-	220,249,338	16.87	36,708,223	2.81
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them (Note 1)	-	-	-	-	-	-	904,598,265	83.33	-	-	1,088,139,380	83.33
Other public Shareholders	2,897,103,070	80.07	144,855,153	80.07	869,130,198	80.07	144,855,153	13.34	869,130,918	66.56	144,855,153	11.09
	3,618,393,070	100	180,919,653	100	1,085,517,918	100	1,085,517,918	100	1,305,767,256	100.00	1,305,767,256	100.00

Notes:

1. Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that in the event of it being called upon to subscribe for or procure subscribers for the Untaken Shares:
 - (i) it shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares procured by it (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders of the Company (within the meaning of the GEM Listing Rules) or any of its subsidiaries and their respective associates;
 - (ii) it will not, and will procure each of the subscribers of the Untaken Shares procured by it (including any direct and indirect sub-underwriters) will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue; and
 - (iii) in the event that there is insufficient public float of the Company within the meaning of the GEM Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations under the Underwriting Agreement, it agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Adjusted Shares in compliance with Rule 11.23(7) of the GEM Listing Rules.
2. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
3. As at the date of this announcement, the outstanding Convertible Bonds include (i) the 6.5% Convertible Bonds with the outstanding principal amount of HK\$100,000,000 which are convertible into 400,000,000 new Existing Shares upon exercise of the conversion rights in full at HK\$0.25 per share and (ii) the 7.5% Convertible Bonds with the outstanding principal amount of approximately HK\$100,249,342 which are convertible into 334,164,474 new Existing Shares upon exercise of the conversion rights in full.
4. The shareholding structure is presented without taking into account the adjustment (if any) to the conversion and exercise prices of the Convertible Bonds and the Share Options, respectively, as a result of the Rights Issue.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

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

As at the date of this announcement, save for the Rights Issue, the Company has no intention or plan for equity fund raising in the next 12 months.

POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the exercise prices and/or number of Adjusted Shares to be issued upon exercise of the Share Options; and/or (ii) the conversion prices and/or number of Adjusted Shares to be issued upon exercise of the conversion rights under the Convertible Bonds may be adjusted in accordance with the terms and conditions of the Share Option Scheme and the Convertible Bonds respectively due to the Rights Issue. The Company will notify the holders of the Share Options and the Convertible Bonds the adjustments, if any, in compliance with the said terms and conditions and, if necessary, make further announcement in respect thereof.

EXPECTED TIMETABLE OF THE CAPITAL REORGANISATION AND THE RIGHTS ISSUE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below.

Event	Date (2020)
Expected date of despatch of the Circular in relation to, the Capital Reorganisation and the Rights Issue to the Shareholders together with notice of SGM and proxy form for SGM	Monday, 31 August
Latest time for lodging transfer of the Shares to qualify for attendance and voting at the SGM	4:30p.m. on Wednesday, 16 September
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive)..	From Thursday, 17 September to Wednesday, 23 September

Latest time for lodging proxy forms for the SGM	10 a.m. on Monday, 21 September
Record date for attendance and voting at the SGM	Wednesday, 23 September
Expected date and time of the SGM to approve the Capital Reorganisation and the Rights Issue.	10 a.m. on Wednesday, 23 September
Announcement of the poll result of the SGM	Wednesday, 23 September
Register of members re-opens	Thursday, 24 September
Effective date of the Capital Reorganisation	Friday, 25 September
Commencement of dealings in the Adjusted Shares.	9:00 a.m. on Friday, 25 September
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 25 September
Temporary counter for trading in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 25 September
First day of free exchange of existing share certificates for new share certificates for the Adjusted Shares	9:00 a.m. on Friday, 25 September
Last day of dealings in the Adjusted Shares on cum-rights basis relating to the Rights Issue	Friday, 25 September
First day of dealings in the Adjusted Shares on ex-rights basis relating to the Rights Issue	Monday, 28 September
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 29 September

Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Wednesday, 30 September to Thursday, 8 October
Record Date for the Rights Issue	Thursday, 8 October
Register of members of the Company re-opens	Friday, 9 October
Prospectus Documents expected to be despatched	Friday, 9 October
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Tuesday, 13 October
Original counter for trading in the Adjusted Shares in board lots of 18,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 13 October
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 1,000 Adjusted Shares and new share certificates in board lots of 18,000 Adjusted Shares) commences	9:00 a.m. on Tuesday, 13 October
First day of dealings in nil-paid Rights Shares in board lots of 18,000 Rights Shares	9:00 a.m. on Tuesday, 13 October
Latest time for splitting the PALs	4:30 p.m. on Thursday, 15 October
Last day of dealing in nil-paid Rights Shares in board lots of 18,000 Rights Shares	Tuesday, 20 October
Latest time for acceptance of and payment for the Rights Shares and application of excess Rights Shares	4:00p.m. on Friday, 23 October
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00p.m. on Thursday, 29 October
Announcement of results of the Rights Issue	Monday, 2 November

Temporary counter for trading in board lots of 1,000
Adjusted Shares (in the form of existing
share certificates) closes 4:10 p.m. on
Tuesday, 3 November

Parallel trading in Adjusted Shares (represented by both
existing share certificates in board lots of 1,000 Adjusted
Shares and new share certificates in board lots of 18,000
Consolidated Shares) ends 4:10 p.m. on
Tuesday, 3 November

Despatch of share certificates for fully-paid Rights Shares and
refund cheques in relation to wholly or partially
unsuccessful applications for excess Rights Shares Tuesday, 3 November

Designated broker ceases to provide matching services
for odd lots of the Adjusted Shares 4:10 p.m. on
Tuesday, 3 November

Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on
Wednesday, 4 November

Last day for free exchange of existing share certificates
for new share certificates for the Adjusted Shares 4:30 p.m. on
Thursday, 5 November

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

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

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. 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 “EXPECTED TIMETABLE OF THE CAPITAL REORGANISATION AND THE RIGHTS ISSUE” above may be affected. Announcement will be made by the Company in such event.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders at the SGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company did not have any controlling shareholder and none of the Directors has any interest in any Existing Shares.

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the SGM. None of the Shareholders or their associates would have any interest in the Capital Reorganisation, which is different from that of other Shareholders. Accordingly, no Shareholder would be required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the SGM.

GENERAL

A circular containing, among other things, (i) further details of Capital Reorganisation; (ii) details of the Rights Issue (including the Underwriting Agreement); (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (v) a notice convening the SGM and other information required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before Monday, 31 August 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM and the Capital Reorganisation becoming effective, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

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

DEFINITIONS

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

“6.5% Convertible Bonds” the 6.5% coupon convertible bonds issued by the Company constituted by the instrument executed by the Company dated 31 July 2017 with the outstanding principal amount of HK\$100,000,000 as at the date of this announcement which are convertible into 400,000,000 new Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price

“7.5% Convertible Bonds”	the 7.5% coupon convertible bonds issued by the Company constituted by the instrument executed by the Company dated 4 September 2017 with the outstanding principal amount of approximately HK\$200,249,342 as at the date of this announcement which are convertible into 334,164,474 new Existing Shares upon full exercise of the relevant conversion rights by the holders thereof at the prevailing conversion price
“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Bye-laws”	the bye-laws of the Company as amended from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby: (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the then issued Consolidated Shares shall be reduced from HK\$0.20 each to HK\$0.01 each by canceling the paid-up capital of the Company to the extent of HK\$0.19 on each of the then Consolidated Shares in issue
“Capital Reorganisation”	the proposed capital reorganisation of the issued share capital of the Company involving the Share Consolidation, the Capital Reduction and transferring all the credits arising from the Capital Reduction to the Contributed Surplus Account

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Existing Shares to 18,000 Adjusted Shares
“Circular”	the circular to be despatched to the Shareholders by the Company, relating to, among other things, the Capital Reorganisation and the Rights Issue
“Company”	Larry Jewelry International Company Limited, a company incorporated in the Bermuda with limited liability and the issued shares of which are listed on GEM
“Companies Act”	the Companies Act 1981 of Bermuda
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“Contributed Surplus Account”	the account designated as the contributed surplus account of the Company within the meaning of the Companies Act
“Convertible Bonds”	collectively, the 6.5% Convertible Bonds and the 7.5% Convertible Bonds
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“Emperor Securities” or “Underwriter”	Emperor Securities Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

“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(s) or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Litigations”	(i) High Court Action No. HCA 2013/2019 against the Company and Allan Yap; and (ii) High Court Action No. HCA 19/2019 against the Company
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company prior to the Share Consolidation becoming effective
“Existing Winding-up Proceeding”	Companies Winding-up proceedings No. 358/2019 against the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	Shareholders who are not required by the GEM Listing Rules or the Stock Exchange to abstain from voting at the SGM in respect of the Rights Issue
“Last Trading Day”	Thursday, 30 July 2020, being the last trading day of the Shares on the Stock Exchange before the release of this announcement

“Latest Time for Acceptance”	4:00 p.m. on Friday, 23 October 2020 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Thursday, 29 October 2020, being the third Business Day after the Latest Time for Acceptance, or such other time or date as may be agreed between the Company and the Underwriter in writing
“Listing Committee”	has the meaning as defined in the GEM Listing Rules
“Optionholders’ Undertaking”	the irrevocable and unconditional undertakings, referred to in the sub-section headed “the Optionholders’ Undertakings” under the section headed “The Underwriting Agreement”, dated 30 July 2020 executed by each of the holders of the Share Options in favour of the Company and the Underwriter
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at 4:00 p.m. on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 9 October 2020 or such other date as may be agreed in writing between the Underwriter and the Company, being the date for despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders

“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at 4:00 p.m. on the Record Date
“Record Date”	Thursday, 8 October 2020 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited
“Rights Issue”	the proposed issue by way of rights on the basis of five (5) Rights Shares for every one (1) Adjusted Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and to be set out in the Prospectus Documents
“Rights Share(s)”	new Adjusted Share(s) to be allotted and issued pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Capital Reorganisation and the Rights Issue
“Share(s)”	Existing Share(s) and/or Consolidated Share(s) and/or Adjusted Share(s), as the case may be
“Share Option Scheme”	the share option scheme of the Company adopted on 21 September 2009
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme which give holders thereof the rights to subscribe for Shares at the exercise price determined in accordance with the rules of the Share Option Scheme
“Shareholder(s)”	holder(s) of issued Share(s)

“Share Consolidation”	the proposed consolidation of every twenty (20) issued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.2 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.17 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 30 July 2020 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	Not less than 904,598,265 and not more than 1,088,139,380 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Untaken Share(s)”	any of the Underwritten Shares which have not been taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or applicants under excess applications by the Latest Time for Acceptance
“%”	per cent.

By order of the Board
Larry Jewelry International Company Limited
Lan Yang
Executive Director

Hong Kong, 30 July 2020

As at the date of this announcement, the Board comprises Mr. Lan Yang as an executive Director, Ms. Lai Pik Chi Peggy as a non-executive Director and Mr. Lin Qiu Fa, Mr. Chung Kwok Pong and Mr. Ke Jun as independent non-executive Directors

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

This announcement will remain on the “Latest Company Announcements” page of the website of GEM (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at www.larryjewelryinternational.com.