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HONG KONG JEWELLERY HOLDING LIMITED

香港珠寶控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 08048)

**(I) DISCLOSEABLE TRANSACTION AND EXEMPTED
CONNECTED TRANSACTION –
DEEMED DISPOSAL RELATING TO
SUBSCRIPTION OF SHARES OF A SUBSIDIARY;
AND
(II) SHAREHOLDERS' AGREEMENT**

SUBSCRIPTION AGREEMENT

On 27 May 2015 (after trading hours), Excel HK (a wholly-owned subsidiary of the Company prior to Completion) and the Subscriber entered into the Subscription Agreement, pursuant to which Excel HK agreed to allot and issue 1,000 Subscription Shares at the Subscription Price, and the Subscriber agreed to subscribe for such Subscription Shares. Upon Completion, each of Excel BVI (a direct wholly owned subsidiary of the Company) and the Subscriber will own 50% of the issued share capital of Excel HK.

SHAREHOLDERS' AGREEMENT

On Completion, the Subscriber, Excel BVI and Excel HK will enter into the Shareholders' Agreement to regulate their respective rights in Excel HK.

GEM LISTING RULES IMPLICATIONS

Following Completion, the equity interest of Excel BVI and hence that of the Company in Excel HK will be diluted from 100% to 50%, the Subscription will therefore constitute a deemed disposal of the Group's equity interest in Excel HK under Rule 19.29 of the GEM Listing Rules.

As the relevant applicable percentage ratios for the Subscription as a deemed disposal are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

As the Subscriber is owned by Ms. Chan, who has been the director of subsidiaries of the Company in the last 12 months before the date of the Subscription Agreement and thus, the Subscriber is a connected person of the Company at the subsidiary level. Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) the Subscriber is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Subscription; and (iii) the independent non-executive Directors have confirmed that the terms of the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Subscription is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

BACKGROUND

On 27 May 2015 (after trading hours), Excel HK (a wholly-owned subsidiary of the Company prior to Completion) and the Subscriber entered into the Subscription Agreement, pursuant to which Excel HK agreed to allot and issue 1,000 Subscription Shares at the Subscription Price, and the Subscriber agreed to subscribe for such Subscription Shares.

SUBSCRIPTION AGREEMENT

Date: 27 May 2015

Parties:

- (i) Excel HK, a wholly owned subsidiary of the Company prior to Completion, as the issuer;
- (ii) the Subscriber

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber is owned by Ms. Chan, who has been the director of subsidiaries of the Company in the 12 months before the date of the Subscription Agreement and thus, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Save for its relationship with Ms. Chan, each of the Subscriber and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons as at the date of this announcement.

Subscription

Excel HK agreed to allot and issue 1,000 Subscription Shares to the Subscriber at the Subscription Price, and the Subscriber agreed to subscribe for such Subscription Shares.

The Subscription Shares shall, at issue, be credited as fully paid, free from all encumbrances and shall rank *pari passu* in all respects with all other issued ordinary shares of Excel HK, including the right to receive all dividends and distributions declared, made or paid on or after Completion.

Upon Completion, each of Excel BVI and hence, the Company, and the Subscriber will own 50% of the issued share capital of Excel HK, and Excel HK will cease to be a subsidiary of the Company.

Subscription Price

Subject to the adjustment as set out under the section headed “Adjustment to the Subscription Price” below, the aggregate Subscription Price for the Subscription Shares shall be approximately HK\$9,359,456, which was determined after arm’s length negotiation among the parties and represents a discount of approximately 20.00% to the audited net asset value of Excel HK as at 31 December 2014 of approximately HK\$11,699,320. The aggregate Subscription Price shall be payable in full by the Subscriber by way of cashier order(s) or other payment methods as specified by Excel HK upon Completion within 15 Business Days following the provision of the Completion Accounts from Excel HK to the Subscriber.

Adjustment to the Subscription Price

Within 30 Business Days following the Completion, the Completion Accounts shall be provided to the Subscriber by Excel HK. In the event that there is a shortfall in or an excess of the net asset value from the Completion Accounts as compared to the audited net asset value of Excel HK as at 31 December 2014, the aggregate Subscription Price shall then be adjusted to the amount of 80% of the net asset value of Excel HK as at 30 April 2015 on a dollar-to-dollar basis.

Completion

Completion shall take place immediately following the signing of the Subscription Agreement.

SHAREHOLDERS’ AGREEMENT

On Completion, the Subscriber, Excel BVI and Excel HK will enter into the Shareholders’ Agreement to regulate their respective rights in Excel HK. Major terms of the Shareholders’ Agreement include:

(i) Directors and board meetings

Pursuant to the terms of the Shareholders' Agreement, Excel BVI shall appoint a maximum of two board members and the Subscriber shall appoint a maximum of two board members and one Chairman to the Excel HK Board, both parties shall have the right to withdraw their appointments.

(ii) Management

The Excel HK Board shall be responsible for overseeing all of Excel HK's business operations and decision-making pursuant to the terms of the Shareholders' Agreement.

(iii) Dividend

Any approval, declaration and distribution of dividend of Excel HK will be made by the Excel HK Board.

(iv) Transfer of shares

Each of the shareholders of Excel HK may not sell directly or indirectly, transfer, pledge or dispose of any of its shares to any person without the prior written consent of the Subscriber.

INFORMATION OF EXCEL HK

Excel HK is a company incorporated in Hong Kong and is principally engaged in development of computer software, systems integration and provision of maintenance services.

Set out below is the audited financial information of Excel HK for the two years ended 31 December 2013 and 2014:

	For the year ended 31 December 2014	For the year ended 31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before tax	(10,353)	5,539
Net (loss)/profit after tax	(10,353)	4,739

As at 31 December 2014, the audited net assets of Excel HK was approximately HK\$11,699,320.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in the BVI and is an investment holding company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT AND THE SHAREHOLDERS' AGREEMENT

The Company is an investment holding company. The Group is principally engaged in (i) the design and sales of gold and jewellery products; (ii) the development, sales and implementation of enterprise software; (iii) the provision of systems integration, professional services and application service provider services; and (iv) investment holding.

In view of the loss-making record of Excel HK for the year ended 31 December 2014, the Directors consider that the Subscription as a deemed disposal enables the Group to maintain the potential turnaround of Excel HK upon Completion while lowering the working capital required on the part of the Company for the business operation of Excel HK. Together with the cash inflow to be brought to Excel HK by the Subscription, the Directors believe that the Subscription Agreement would strengthen the financial flexibility of Excel HK by broadening its capital sources, which would ultimately enhance Shareholders' values. The net proceeds from the Subscription are expected to be approximately HK\$9,359,456 and will be applied for the general working capital of the Group.

The unaudited estimated loss, subject to the adjustment to the Subscription Price, on the deemed disposal through the Subscription would be approximately HK\$1,169,932, being the audited net assets value of Excel HK of approximately HK\$11,699,320 as at 31 December 2014 minus 50% of the sum of the Subscription Price of approximately HK\$9,359,456 and the aforesaid audited net assets value of Excel HK of approximately HK\$11,699,320.

Nonetheless, the Directors consider that the Subscription Agreement, the Shareholders' Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Following the Completion, the equity interest of Excel BVI and hence that of the Company in Excel HK will be diluted from 100% to 50%; therefore, the Subscription will constitute a deemed disposal of the Group's equity interest in Excel HK under Rule 19.29 of the GEM Listing Rules.

As the relevant applicable percentage ratios for the Subscription as a deemed disposal are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

As the Subscriber is owned by Ms. Chan, who has been the director of subsidiaries of the Company in the last 12 months before the date of the Subscription Agreement and thus, the Subscriber is a connected person of the Company at the subsidiary level. Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) the Subscriber is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Subscription; and (iii) the independent non-executive Directors have confirmed that the terms of the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Subscription is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

To the best of the Directors' knowledge, none of the Directors has a material interest in the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement and hence, none of them is required to abstain or has abstained from voting on the relevant board resolutions.

DEFINITIONS

In this announcement, unless otherwise defined, terms used shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday in Hong Kong) on which licensed banks in Hong Kong generally are open for business
“BVI”	British Virgin Islands
“Company”	Hong Kong Jewellery Holding Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
“Completion”	Completion of the Subscription in accordance with the Subscription Agreement
“Completion Accounts”	the unaudited accounts of Excel HK for the period from 1 January 2015 to 30 April 2015
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Directors”	the directors of the Company

“Excel BVI”	Excel (BVI) Limited, a company incorporated in BVI with limited liability
“Excel HK”	Excel Technology International (Hong Kong) Limited (志鴻科技國際(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Excel HK Board”	the board of directors of Excel HK
“GEM”	The Growth Enterprise Market of 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, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Ms. Chan”	Ms. Zee Chan Mei Chu, Peggy, the ultimate beneficial owner of the Subscriber and the director of subsidiaries of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Subscriber, Excel BVI and Excel HK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Passion Investment (BVI) Limited, a company incorporated in the BVI with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 May 2015 and entered into between Excel HK and the Subscriber in relation to the Subscription
“Subscription Price”	approximately HK\$9,359 per Subscription Share

“Subscription Shares” the new shares of Excel HK to be allotted and issued by Excel HK to the Subscriber pursuant to the Subscription Agreement

“%” per cent

By order of the Board
Hong Kong Jewellery Holding Limited
Li Xia
Chairman and Executive Director

Hong Kong, 27 May 2015

As at the date of this announcement, the Board comprises three executive Directors, namely, Li Xia, Lin Di and Chen Yin, and three independent non-executive Directors, namely, Lam Tin Faat, Lu Haina and Na Xin.

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 GEM website for at least seven days from the date of its posting and on the website of the Company at www.hkjewelry.net.