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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW MASTER AGREEMENTS

New Master Agreements and proposed new caps in respect of the Continuing Connected Transactions for further three years

Reference is made to the announcement of the Company dated 18 September 2013 in relation to, amongst other things, the entering into of the Existing Master Agreement I, Existing Master Agreement II, Existing Master Agreement III and Existing Master Agreement IV with Baidi Jewellery, Zhong Chuang, Didi Packaging and Didi Showcases, respectively.

As the Existing Master Agreements will expire after 31 December 2015, Golden HK Jewellery entered into the New Master Agreement I, New Master Agreement II, New Master Agreement III and New Master Agreement IV with Baidi Jewellery, Zhong Chuang, Didi Packaging and Didi Showcases, respectively, on 30 December 2015, to continue the Continuing Connected Transactions for a further term of three years ended 31 December 2018.

GEM Listing Rules Implications

(i) Zhong Chuang is owned as to 81% by the brother of Ms. Li. Accordingly, Zhong Chuang is an associate of Ms. Li, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules; and (ii) each of Baidi Jewellery, Didi Packaging and Didi Showcases is owned as to 90%, 65% and 80% by Didi Investment respectively, which in turn is owned as to 10% and 90% by Mr. Lin (an executive director of the Company in the last 12 months preceding signing of the New Master Agreement I, New Master Agreement III, and New Master Agreement IV) and his father, respectively. Therefore, each of Baidi Jewellery, Didi Packaging and Didi Showcases is an associate of Mr. Lin, and being a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under each of the New Master Agreements constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Since all the applicable percentage ratios relating to the proposed new annual caps for the Continuing Connected Transactions exceed 0.1% but do not exceed 5%, the Continuing Connected Transactions are only subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 18 September 2013 in relation to, amongst other things, the entering into the Existing Master Agreement I, Existing Master Agreement II, Existing Master Agreement III and Existing Master Agreement IV with Baidi Jewellery, Zhong Chuang, Didi Packaging and Didi Showcases, respectively.

As the Existing Master Agreements will expire after 31 December 2015, Golden HK Jewellery entered into the New Master Agreements on 30 December 2015, respectively in relation to the Continuing Connected Transactions for a further term of three financial years ending 31 December 2018.

NEW MASTER AGREEMENT I

Date

30 December 2015

Parties



- (1) Golden HK Jewellery; and
- (2) Baidi Jewellery.


Term

The New Master Agreement I shall be for a term commencing from the 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Subject matters

Pursuant to New Master Agreement I, Golden HK Jewellery shall:

- (i) permit Baidi Jewellery to establish franchise stores under the brand  H.K. JEWELRY;
- (ii) supply the Jewellery Products of Golden HK Jewellery to Baidi Jewellery and affix the label of the brand  H.K. JEWELRY thereon for sale in its franchise stores; and

- (iii) allow Baidi Jewellery to purchase the Jewellery Products from other designated suppliers approved by Golden HK Jewellery and affix the label of the brand  H.K. JEWELRY thereon for sale in its franchise stores.

According to the New Master Agreement I, Golden HK Jewellery and Baidi Jewellery will enter into individual agreements detailing the major terms of the Continuing Connected Transactions I which will be negotiated by them in good faith and determined by them from time to time under normal commercial terms in the ordinary course of business.

Price and fees

Pursuant to the New Master Agreement I:

- (i) the price of the Jewellery Products of Golden HK Jewellery payable by Baidi Jewellery shall be determined in accordance with the unified national supply price, subject to adjustment taking into account the prevailing market conditions;
- (ii) the franchise fee payable by Baidi Jewellery shall be determined in accordance with the standard of unified national price; and
- (iii) the labelling fee of all the Jewellery Products in franchise stores shall be determined in accordance with the standard of unified national price.

Pursuant to the New Master Agreement I, the actual amount and payment method regarding the aforesaid price and fees shall be negotiated by Golden HK Jewellery and Baidi Jewellery in good faith and stipulated in the individual agreements. In any event, the aforesaid price and fees payable by Baidi Jewellery should be no less favourable than those offered by the Group to Independent Third Party customers for products or services of a similar type.

Historical transaction amounts


The Continuing Connected Transactions I was started in December 2012. The historical transaction amounts for the Continuing Connected Transactions I for the year ended 31 December 2013, 31 December 2014, and for the eleven months ended 30 November 2015 were approximately RMB53,590,000, RMB3,850,000, RMB169,000 respectively.

Proposed annual caps

The proposed annual caps for the Continuing Connected Transactions I for the three years ended 31 December 2018 are RMB500,000, RMB600,000 and RMB700,000 respectively.

Basis of proposed annual caps

The proposed annual caps for the Continuing Connected Transactions I for the three years ended 31 December 2018 have been determined with reference to:

- (i) the historical transaction amounts under the various agreements entered into between Golden HK Jewellery and Baidi Jewellery in respect of the Continuing Connected Transactions I;
- (ii) annual caps for the Continuing Connected Transactions I for the three years ended 31 December 2015;
- (iii) the estimated number of franchise stores to be established by Baidi Jewellery for the three years ended 31 December 2018;
- (iv) the estimated expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY; and
- (v) the prevailing market conditions.

NEW MASTER AGREEMENT II

Date

30 December 2015

Parties

- (1) Golden HK Jewellery; and
- (2) Zhong Chuang.

Term, subject matters and price and fees

The term, subject matters and price and fees under the New Master Agreement II are identical with those of the New Master Agreement I.

Historical transaction amounts


The Continuing Connected Transactions II was started in August 2013. The historical transaction amounts for the Continuing Connected Transactions II for the year ended 31 December 2013, 31 December 2014, and for the eleven months ended 30 November 2015 were approximately RMB2,836,000, RMB271,000, RMB601,000 respectively.

Proposed annual caps

The proposed annual caps for the Continuing Connected Transactions II for the three years ended 31 December 2018 are RMB4,000,000, RMB4,500,000 and RMB5,000,000 respectively.

Basis of proposed annual caps

The proposed annual caps for the Continuing Connected Transactions II for the three years ended 31 December 2018 have been determined with reference to:

- (i) the historical transaction amounts under the various agreements entered into between Golden HK Jewellery and Zhong Chuang in respect of the Continuing Connected Transactions II;
- (ii) annual caps for the Continuing Connected Transactions II for the three years ended 31 December 2015;
- (iii) the estimated number of franchise stores to be established by Zhong Chuang for the three years ended 31 December 2018;
- (iv) the estimated expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY; and
- (v) the prevailing market conditions.

NEW MASTER AGREEMENT III

Date

30 December 2015


Parties

- (1) Golden HK Jewellery; and
- (2) Didi Packaging.

Term

The New Master Agreement III shall be for a term commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Subject matter

Pursuant to the New Master Agreement III, Golden HK Jewellery agreed to purchase from Didi Packaging props, jewellery boxes and handbags for the brand  H.K. JEWELRY.

According to the New Master Agreement III, Golden HK Jewellery and Didi Packaging will enter into individual agreements detailing the major terms of the Continuing Connected Transactions III which will be negotiated by them in good faith and determined by them from time to time under normal commercial terms in the ordinary course of business.

Price

The price of props, jewellery boxes and handbags shall be determined with reference to, among other factors, the prevailing market conditions and the fees offered by Independent Third Party suppliers to Golden HK Jewellery for products of a similar type.

Pursuant to the New Master Agreement III, the actual amount and payment method regarding the price of props, jewellery boxes and handbags shall be negotiated by Golden HK Jewellery and Didi Packaging in good faith and stipulated in the individual agreements. In any event, the aforesaid price offered to Golden HK Jewellery should be no less favourable than those offered by Independent Third Party suppliers to the Group for products of a similar type.

Historical transaction amounts

The Continuing Connected Transactions III was started in November 2012. The historical transaction amounts for the Continuing Connected Transactions III for the year ended 31 December 2013, 31 December 2014, and for the eleven months ended 30 November 2015 were approximately RMB1,000,000, RMB555,000 and RMB240,000 respectively.

Proposed annual caps

The proposed annual caps for the Continuing Connected Transactions III for the three years ended 31 December 2018 are RMB1,000,000, RMB1,200,000 and RMB1,400,000 respectively.

Basis of proposed annual caps

The proposed annual caps for the New Continuing Connected Transactions III for the three years ended 31 December 2018 have been determined with reference to:

- (i) the historical transaction amounts under the various agreements entered into between Golden HK Jewellery and Didi Packaging in respect of the Continuing Connected Transactions III;
- (ii) annual caps for the Continuing Connected Transactions III for the three years ended 31 December 2015;

- (iii) the estimated quantities of props, jewellery boxes and handbags to be purchased by Golden HK Jewellery for the three years ended 31 December 2015; and
- (iv) the prevailing market conditions.

NEW MASTER AGREEMENT IV

Date

30 December 2015

Parties

- (1) Golden HK Jewellery; and
- (2) Didi Showcases.

Term

The New Master Agreement IV shall be for a term commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Subject matter

Pursuant to the New Master Agreement IV, Golden HK Jewellery has agreed to purchase from Didi Showcases showcases for the brand  H.K. JEWELRY.

According to the New Master Agreement IV, Golden HK Jewellery and Didi Showcases will enter into individual agreements detailing the major terms of the Continuing Connected Transactions IV which will be negotiated by them in good faith and determined by them from time to time under normal commercial terms in the ordinary course of business.

Price

The price of showcases shall be determined with reference to, among other factors, the prevailing market conditions and the fees offered by Independent Third Party suppliers to Golden HK Jewellery for products of a similar type.

Pursuant to the New Master Agreement IV, the actual amount and payment method regarding the price of showcases shall be negotiated by Golden HK Jewellery and Didi Showcases in good faith and stipulated in the individual agreements. In any event, the aforesaid price offered to Golden HK Jewellery should be no less favourable than those offered by Independent Third Party suppliers to the Group for products of a similar type.

Historical transaction amounts

The Continuing Connected Transactions IV was started in November 2012. The historical transaction amounts for the Continuing Connected Transactions IV for the year ended 31 December 2013, 31 December 2014, and for the eleven months ended 30 November 2015 were approximately RMB2,900,000, RMB601,000 and RMB100,000 respectively.

Proposed annual caps


The proposed annual caps for the Continuing Connected Transactions IV for the three years ended 31 December 2018 are RMB1,000,000, RMB1,200,000 and RMB1,400,000 respectively.

Basis of proposed annual caps

The proposed annual caps for the Continuing Connected Transactions IV for the three years ended 31 December 2018 have been determined with reference to:

- (i) the historical transaction amounts under the various agreements entered into between Golden HK Jewellery and Didi Showcases in respect of the Continuing Connected Transactions IV;
- (ii) annual caps for the Continuing Connected Transactions IV for the three years ended 31 December 2015;
- (iii) the estimated quantities of showcases to be purchased by Golden HK Jewellery for the three years ended 31 December 2015; and
- (iv) the prevailing market conditions.

INFORMATION ON THE GROUP AND THE CONNECTED PERSONS

The Company is an investment holding company, whose subsidiaries are principally engaged in (i) technology software development and application business; and (ii) design, research and development, manufacturing and sale of gold and jewellery products under the brand  H.K. JEWELRY.

Zhong Chuang is principally engaged in sale of gold, platinum, diamonds, jade, artistic products and embedded jewellery, domestic trading, import and export business, energy projects investments, shares investments and investment management.

Didi Packaging is principally engaged in design, packaging, handbags, jewellery packaging and other gifts packaging, lamps and lanterns, wholesale and retail of electric appliances and domestic trading.

Didi Showcases is principally engaged in production and sale of showcases, sale of artistic products, decoration materials, construction materials, lamps and lanterns, provisions of services in relation to interior design, installation and repair of commercial showcases, design, decoration and installation of shelves and cabinets.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

By entering into the New Master Agreement I and New Master Agreement II, the Group can continue to carry on its business plan by means of franchising model. In particular, the Board anticipate that the New Master Agreement I and the New Master Agreement II will continue to allow the Group to open franchise stores and maintain business relationship with Baidi Jewellery and Zhong Chuang.

The Group considers that a stable and trustworthy source of quality props, jewellery boxes, handbags, showcases and other ancillary products is important for the sustainable development of the jewellery business and retail chain store network. The Group is satisfied with the product quality and reputation of Didi Packaging and Didi Showcases. By entering into the New Master Agreement III and the New Master Agreement IV and the transactions contemplated thereunder, the Group will be able to secure a stable and trustworthy source of supply, and thereby focus on its business development and maximizing its return.

The Directors (including independent non-executive Directors, but excluding Ms. Li with respect to New Master Agreement II) consider that the transactions contemplated under the New Master Agreements (including the proposed new annual caps under the New Master Agreements) are on normal commercial terms and entered into in the ordinary and usual course of business of the Group and are fair and reasonable. In view of the above, the Directors are of the view that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement:

- (i) Zhong Chuang is owned as to 81% by the brother of Ms. Li. Accordingly, Zhong Chuang is an associate of Ms. Li, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules; and
- (ii) each of Baidi Jewellery, Didi Packaging and Didi Showcases is owned as to 90%, 65% and 80% by Didi Investment respectively, which in turn is owned as to 10% and 90% by Mr. Lin (an executive director of the Company in the last 12 months preceding signing of the New Master Agreement I, New Master Agreement III, and New Master Agreement IV) and his father, respectively. Therefore, each of Baidi Jewellery, Didi Packaging and Didi Showcases is an associate of Mr. Lin, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Accordingly, the transactions contemplated under each of the New Master Agreements constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

At the Board meeting approving the New Master Agreements, Ms. Li had abstained from voting on the resolutions approving the New Master Agreement II and the proposed annual caps for the Continuing Connected Transaction II for the three years ending 31 December 2018 in which she or any of her associate is materially interested in.



Since all the applicable percentage ratios relating to the proposed annual caps for the Continuing Connected Transactions exceed 0.1% but do not exceed 5%, the Continuing Connected Transactions are only subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.


DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Baidi Jewellery”	杭州百迪珠寶有限公司 (Hangzhou Baidi Jewellery Company Limited*), a company established under the laws of the PRC with limited liability and 90% equity interest of which is owned by Didi Investment
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“Company”	Hong Kong Jewellery Holding Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	collectively, Continuing Connected Transactions I, Continuing Connected Transactions II, Continuing Connected Transactions III and Continuing Connected Transactions IV

“Continuing Connected Transactions I”	the Continuing Connected Transactions constituted by the transactions contemplated under the New Master Agreement I
“Continuing Connected Transactions II”	the Continuing Connected Transactions constituted by the transactions contemplated under the New Master Agreement II
“Continuing Connected Transactions III”	the Continuing Connected Transactions constituted by the transactions contemplated under the New Master Agreement III
“Continuing Connected Transactions IV”	the Continuing Connected Transactions constituted by the transactions contemplated under the New Master Agreement IV
“Didi Investment”	杭州迪迪投資股份有限公司 (Hangzhou Didi Investment Joint Stock Company Limited*), a company established under the laws of the PRC with limited liability and is respectively owned as to 10% and 90% by Mr. Lin and his father
“Didi Packaging”	深圳迪迪首飾包裝有限公司 (Shenzhen Didi Jewellery Packaging Company Limited*), a company established under the laws of the PRC with limited liability and 65% equity interest of which is owned by Didi Investment
“Didi Showcases”	杭州迪迪商業展具有限公司 (Hangzhou Didi Commercial Showcases Company Limited*), a company established under the laws of the PRC with limited liability and 80% equity interest of which is owned by Didi Investment
“Director(s)”	the director(s) of the Company
“Existing Master Agreement I”	the master agreement dated 18 September 2013 and entered into between Golden HK Jewellery and Baidi Jewellery in relation to the establishment of franchise stores and supply of the Jewellery Products of Golden HK Jewellery
“Existing Master Agreement II”	the master agreement dated 18 September 2013 and entered into between Golden HK Jewellery and Zhong Chuang in relation to the establishment of franchise stores and supply of the Jewellery Products of Golden HK Jewellery

“Existing Master Agreement III”	the master agreement dated 18 September 2013 and entered into between Golden HK Jewellery and Didi Packaging in relation to purchase of packaging materials for the Jewellery Products
“Existing Master Agreement IV”	the master agreement dated 18 September 2013 and entered into between Golden HK Jewellery and Didi Showcases in relation to purchase of showcases for the brand  H.K. JEWELRY
“Existing Master Agreements”	collectively, Existing Master Agreement I, Existing Master Agreement II, Existing Master Agreement III and Existing Master Agreement IV
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Golden HK Jewellery”	金香港珠寶(深圳)有限公司 (Golden HK Jewellery (Shenzhen) Company Limited*), a wholly foreign owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	an individual or a company who or which is independent of and not connected with the Directors, chief executive and substantial shareholders of the Company, its subsidiaries or any of their respective associates, and not otherwise a connected person of the Company
“Jewellery Products”	the jewellery products, including but not limited to gold, diamonds, pearls, jade and gems, for sale in franchise stores under the brand  H.K. JEWELRY
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Lin”	Mr. Lin Di, an executive director of the Company in the last 12 months preceding signing of the New Master Agreement I, New Master Agreement III, and New Master Agreement IV and a substantial shareholder of the Company
“Ms. Li”	Ms. Li Xia, the chairman, an executive Director and a substantial shareholder of the Company
“New Master Agreement I”	the master agreement dated 30 December 2015 and entered into between Golden HK Jewellery and Baidi Jewellery in relation to the establishment of franchise stores and supply of the Jewellery Products of Golden HK Jewellery
“New Master Agreement II”	the master agreement dated 30 December 2015 and entered into between Golden HK Jewellery and Zhong Chuang in relation to the establishment of franchise stores and supply of the Jewellery Products of Golden HK Jewellery
“New Master Agreement III”	the master agreement dated 30 December 2015 and entered into between Golden HK Jewellery and Didi Packaging in relation to purchase of packaging materials for the Jewellery Products
“New Master Agreement IV”	the master agreement dated 30 December 2015 and entered into between Golden HK Jewellery and Didi Showcases in relation to purchase of showcases for the brand  H.K. JEWELRY
“New Master Agreements”	collectively, the New Master Agreement I, the New Master Agreement II, the New Master Agreement III and the New Master Agreement IV
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	has the same meaning ascribed to it under the GEM Listing Rules
“Zhong Chuang”	深圳市中創聯合投資有限公司 (Shenzhen City Zhong Chuang Union Investment Company Limited*), a company established under the laws of the PRC with limited liability and 81% equity interest of which is owned by the brother of Ms. Li
“%”	per cent

By Order of the Board
Hong Kong Jewellery Holding Limited
Li Xia
Chairman

Hong Kong, 30 December 2015

As at the date of this announcement, the Board comprises two executive Directors, namely, Li Xia 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:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; and (2) there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least seven days from the date of its publication and the Company’s website at www.hkjewelery.net.

* *For identification purposes only*