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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)**

### **CONTINUING CONNECTED TRANSACTION LEASING OF OFFICE PREMISES**

On 31 December 2015 (after trading hours) Shenzhen Yihua, a substantial Shareholder, and Golden HK Jewellery, a wholly owned subsidiary of the Company, entered into the Framework Leasing Agreement, pursuant to which Shenzhen Yihua (as the lessor) has agreed to lease the office premises at the Property owned by Shenzhen Yihua to Golden HK Jewellery (as the lessee) for the purpose of Golden HK Jewellery conducting its daily operation.

Upon effectiveness of the Framework Leasing Agreement, Shenzhen Yihua and Golden HK Jewellery may enter into further Specific Leasing Agreements.

Shenzhen Yihua is a substantial Shareholder of the Company holding approximately 26.30% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the GEM Listing Rules. Accordingly, the Lease Transactions will constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

As all the applicable the percentage ratios (as defined under Rule 19.04 of the GEM Listing Rules) for the Lease Transactions exceed 0.1% but do not exceed 5%, the Lease 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**

On 31 December 2015 (after trading hours) Shenzhen Yihua, a substantial Shareholder, and Golden HK Jewellery, a wholly owned subsidiary of the Company, entered into the Framework Leasing Agreement, pursuant to which the Shenzhen Yihua (as the lessor) has agreed to lease the office premises at the Property owned by Shenzhen Yihua to Golden HK Jewellery (as the lessee) for the purpose of Golden HK Jewellery conducting its daily operation.

Upon effectiveness of the Framework Leasing Agreement, Shenzhen Yihua and Golden HK Jewellery may enter into further Specific Leasing Agreements.

## **PRINCIPLE TERMS OF THE FRAMEWORK LEASING AGREEMENT**

Lease Term:	3 years from 1 January 2015 to 31 December 2017
Lessor:	Shenzhen Yihua
Lessee:	Golden HK Jewellery
Area to be leased:	approximately 485 sq.m.
Total rental per year:	RMB1,800,000 (approximately RMB309 per sq.m. per month)
Other terms and conditions:	<p>The rental is payable annually in cash at the end of each calendar year. Subject to the GEM Listing Rules, a party may give at least three-month written notice before the expiry of the agreement to the other party in order to enter into a new agreement and continue to lease the relevant premises from the lessor.</p> <p>Either party shall have the right to terminate the Framework Leasing Agreement upon serving a three month written notice or a written notice in the event of default under the Framework Leasing Agreement.</p>

The rental has been determined after arm's length negotiations between the parties to the Framework Leasing Agreement and calculated on the basis of the market rate of leasing property.

The parties to the Framework Leasing Agreement shall enter into further Specific Leasing Agreements for leasing the Property, provided that:

1. the term of the Specific Leasing Agreements must be for a fixed term of not more than three years;

2. the terms and conditions of the Specific Leasing Agreements must be no less favourable than the terms and conditions of leasing agreements entered into by independent third parties for similar or comparable premises; and
3. the aggregate annual rental payable under all of the Specific Leasing Agreements for any given year during the Term shall not exceed the corresponding Annual Caps for the relevant year.

In the event that the entering into or amendment of any Specific Leasing Agreement will result in the aggregate annual rental payable by Golden Jewellery to Shenzhen Yihua exceeding the proposed annual cap for the relevant year, the Company shall take all necessary procedures to comply with the GEM Listing Rules, including to make announcement(s) if appropriate and to seek independent shareholders' approval if necessary.

### **PROPOSED ANNUAL CAPS**


The Annual Caps are as follows:

	<b>Year ending 31 December 2015</b>	<b>Year ending 31 December 2016</b>	<b>Year Ending 31 December 2017</b>
<b>Proposed Annual Caps</b> <i>(All amounts in RMB'000)</i>	1,800	2,160	2,520

The Annual Caps have been determined with reference to the prevailing market rent for the comparable commercial properties near the Property and the anticipated increase or adjustment to rental costs for the next 2 years due to inflation or other reasons. The Directors (including the independent non-executive Directors) consider such Annual Caps as fair and reasonable.

The Group will satisfy the consideration of the Lease Transactions by its internal resources.

### **INFORMATION ON THE GROUP AND THE CONNECTED PERSON**

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.

Golden HK Jewellery is a wholly owned subsidiary of the Company. It is a wholly foreign-owned enterprise incorporated in PRC and is principally engaged in wholesale, import and export trade of golden and jewellery products.

Shenzhen Yihua, is a company with limited liability established under the laws of the PRC holding approximately 26.30% of the issued share capital of the Company. It is principally engaged in wholesale, retail, and production of golden and jewellery products.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK LEASING AGREEMENT**

The Property is situated at the Shuibei International Jewellery Trading Centre within the Shuibei Industrial Zone, Luohu District, which is a core area for the jewellery trading in Shenzhen, the PRC. In light of the favorable location of the Property, the Board is of the view that setting up its offices at the Property will provide the Group with a geographic advantage to conduct its business and daily operation. In addition, the Board is also of the view that the rental and payment terms contemplated under the Framework Leasing Agreement are more favorable than the comparable premises in Shuibei area.

In view of the above and the basis of determination of the Proposed Annual Caps, the Board (including the independent non-executive Directors) considers that: (i) the terms of the Framework Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the Lease Transactions are in the ordinary and usual course of business of the Group; (iii) the entering into of the Framework Lease Agreement by Golden HK Jewellery is in the interest of the Company and its shareholders as a whole; and (iv) the Annual Caps (including the basis of determination thereof) are fair and reasonable.

None of the Directors have a material interest in the Framework Leasing Agreement or the Lease Transactions and need to abstain from voting on the board resolution approving the same.

## **IMPLICATION UNDER THE GEM LISTING RULES**

Shenzhen Yihua is a substantial Shareholder of the Company holding approximately 26.30% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the GEM Listing Rules. Accordingly, the Lease Transactions will constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios (as defined under Rule 19.04 of the GEM Listing Rules) for the Lease Transactions exceed 0.1% but do not exceed 5%, the Lease 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 having the following meanings:

“Annual Caps”	the annual aggregate maximum amounts payable by Golden HK Jewellery to Shenzhen Yihua under the Lease Transactions for the Term as set out in the section headed “Proposed Annual Caps” of this announcement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Board”	the board of Directors
“Company”	Hong Kong Jewellery Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Leasing Agreement”	the agreement entered into between the Shenzhen Yihua and Golden HK Jewellery on 31 December 2015 to govern the rental and leasing of the Property during the Term
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	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 limited company incorporated in 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 PRC
“Independent Shareholders”	Shareholders other than Shenzhen Yihua and its associates
“Lease Transactions”	the leasing of the Property under any Specific leasing Agreement(s)
“PRC”	the People’s Republic of China
“Property”	the property located 1 <sup>st</sup> Floor, Block 4, Shuibei Industry Zone, Beili Bei Road, Luohu District, Shenzhen, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Specific Leasing Agreement(s)”	the specific leasing agreements to be entered into between Golden HK Jewellery and Shenzhen Yihua for the leasing of the Property in accordance with terms of the Framework Leasing Agreement

“Shareholder(s)”	holder(s) of the ordinary shares and the preferred shares of the Company
“Shenzhen Yihua”	深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewellery Company Limited*), a company with limited liability established under the laws of the PRC holding approximately 26.30% of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the three-year period commencing from 1 January 2015 up to and including 31 December 2017
“%”	per cent

By Order of the Board  
**HONG KONG JEWELLERY HOLDING LIMITED**  
**Li Xia**  
*Chairman*

Hong Kong, 31 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.hkjewelry.net](http://www.hkjewelry.net).*

\* *For identification purposes only*