
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the Shareholders in connection with the SGM to be held at 5/F., 663 King's Road, North Point, Hong Kong on Monday, 11 November 2013 at 12:00 noon.

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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: 8048)

**CONTINUING CONNECTED TRANSACTIONS:
MASTER AGREEMENT I
MASTER AGREEMENT II
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**

寶
橋
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from Bridge Partners containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 26 of this circular.

A notice convening the SGM to be held at 5/F., 663 King's Road, North Point, Hong Kong on Monday, 11 November 2013 at 12:00 noon is set out on pages 33 to 34 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication and on the website of the Company at www.hkjewelry.net.

25 October 2013

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in securities traded on GEM.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 September 2013 in relation to, among others, (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015
“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
“Bridge Partners” or “Independent Financial Adviser”	Bridge Partners Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015
“Business Day”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“BVI”	British Virgin Islands
“Commencement Date”	with respect to the Master Agreement I, being the date on which the Master Agreement I and the proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015 are approved by the Independent Shareholders at the SGM, and with respect to the Master Agreement II, being the date on which the Master Agreement II and the proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015 are approved by the Independent Shareholders at the SGM
“Company”	Hong Kong Jewellery Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions I”	the continuing connected transactions constituted by the transactions contemplated under the Master Agreement I
“Continuing Connected Transactions II”	the continuing connected transactions constituted by the transactions contemplated under the Master Agreement II
“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
“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”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transaction II for the three years ending 31 December 2015
“Independent Shareholders”	with respect to the Master Agreement I, Shareholders excluding Mr. Lin and his associates, and with respect to the Master Agreement II, Shareholders excluding Ms. Li and her associates
“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
“Latest Practicable Date”	22 October 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“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
“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
“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

DEFINITIONS

“Mr. Lin”	Mr. Lin Di, the chief executive officer, an executive Director and a substantial shareholder of the Company
“Ms. Li”	Ms. Li Xia, the chairman, an executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be convened at 5/F., 663 King’s Road, North Point, Hong Kong on Monday, 11 November 2013 at 12:00 noon or any adjournment thereof (as the case may be), for the purpose of the Independent Shareholders considering, and if thought fit, approving, among other matters, (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015, notice of which is set out on pages 33 to 34 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the 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
“%”	percentage

* For identification purposes only

LETTER FROM THE BOARD



HONG KONG JEWELLERY HOLDING LIMITED

香港珠寶控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

Executive Directors:

Li Xia (Chairman)

Lin Di (Chief Executive Officer)

Chen Yin

Yip Tin Hung

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Lam Tin Faat

Lu Haina

Fu Ping Man

Head office and principal place

of business in Hong Kong:

5/F., 663 King's Road

North Point

Hong Kong

25 October 2013

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
MASTER AGREEMENT I
MASTER AGREEMENT II
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to give you further information regarding, among others, details of the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transaction II for the three years ending 31 December 2015), the recommendation from the Independent Board Committee, the advice from Bridge Partners to the Independent Board Committee and the Independent Shareholders, and the notice convening the SGM.

LETTER FROM THE BOARD

MASTER AGREEMENT I

Date

18 September 2013

Parties

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

Term

The Master Agreement I shall be for a term commencing from the Commencement Date and ending on 31 December 2015 (both days inclusive).

Subject matters

Pursuant to the 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 Master Agreement I, Golden HK Jewellery and Baidi Jewellery will enter into individual agreements detailing 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 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 set by the Group which is adopted by all franchise stores under the brand  H.K. JEWELRY, subject to adjustment taking into account, among other factors, the types of the Jewellery Products and the prevailing market conditions;

LETTER FROM THE BOARD

- (ii) the franchise fee payable by Baidi Jewellery shall be determined in accordance with the standard of unified national price set by the Group which is adopted by all franchise stores under the brand **HK** H.K. JEWELRY; and
- (iii) the labeling fee of all the Jewellery Products in franchise stores shall be determined in accordance with the standard of unified national price set by the Group which is adopted by all franchise stores under the brand **HK** H.K. JEWELRY.

Pursuant to the 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 to the Group than those offered by the Group to Independent Third Party customers for products or services of a similar type.

Given that:

- (i) the unified national supply price of the Jewellery Products and the unified national price of the franchise fee and the labeling fee are set by the Group with reference to the comparison with other suppliers and/or franchisors within the jewellery industry, market competition and business development stage of the Group;
- (ii) to the best of the Directors' knowledge, belief and information, the source of the aforesaid unified national supply price of the Jewellery Products comes from certain guidelines in the jewellery industry, in particular:
 - a. for gold and diamond, the price is set by the Group according to the price standard (with certain extent of fluctuation) promulgated by the official authorities in the PRC, namely the Shanghai Gold Exchange and the Shanghai Diamond Exchange, respectively;
 - b. for jade and gem, the wholesale price of raw materials is determined with reference to the comparable level of the aforesaid wholesale price within the jewellery industry; and
 - c. the overall price of the Jewellery Products is subject to certain extent of fluctuation following changes in design, pattern, processing and market demand; and
- (iii) as disclosed above, the price of the Jewellery Products, the franchise fee and the labeling fee payable by Baidi Jewellery are no less favourable than those available to the Group from Independent Third Party customers for products or services of a similar type,

the Directors consider that the aforesaid price and fees payable by Baidi Jewellery under the Master Agreement I are on normal commercial terms, accurately determined and reasonable.

LETTER FROM THE BOARD

Condition

The Master Agreement I is conditional on the approval by the Independent Shareholders of the proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015 at the SGM.

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 2012 and for the eight months ended 31 August 2013 were approximately RMB1,789,000 and RMB46,880,000 respectively.

Proposed annual caps

The proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015 are RMB60,000,000, RMB77,000,000 and RMB95,000,000 respectively.

Basis for the proposed annual caps

The proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015 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) the projected number of franchise stores to be established by Baidi Jewellery for the three years ending 31 December 2015. It is estimated by Baidi Jewellery that the projected number of franchise stores for the period from September to December 2013 and for the two years ending 31 December 2015 are 3, 7 and 5 respectively, resulting in a total number of 15, 22 and 27 franchise stores respectively. Such estimation is based on the extensive experience of Baidi Jewellery in the jewellery industry of the Eastern area of the PRC, which the Directors believe that more franchise stores will be opened and that the Group's foothold in the Eastern area of the PRC will be further enhanced;
- (iii) the estimated expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY. In view of the continuous increase in the demand of the PRC's retail market for jewellery due to the foreseeable significant growth in the middle class population of the PRC in the future, the Directors expect that several operation centers will be opened in Nanjing, Shandong, Beijing and other cities, which will help to further promote the brand  H.K. JEWELRY in the PRC. The Group also expects that, through its efforts in expanding the jewellery business, the number of self-operated and franchise stores under the brand  H.K. JEWELRY will increase to about 50-80 by the end of 2013, and further expand to about 120-160 and 250-280 in 2014 and 2015 respectively; and
- (iv) the prevailing market conditions.

LETTER FROM THE BOARD

MASTER AGREEMENT II

Date

18 September 2013

Parties

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

Term, subject matters, and price and fees

The term, subject matters, and details of and basis for determining the price and fees payable by Zhong Chuang under the Master Agreement II are identical with those of the Master Agreement I.

Condition

The Master Agreement II is conditional on the approval by the Independent Shareholders of the proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015 at the SGM.

Historical transaction amount

The Continuing Connected Transactions II was started in August 2013. The historical transaction amount for the Continuing Connected Transactions II for the eight months ended 31 August 2013 was approximately RMB1,940,000.

Proposed annual caps

The proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015 are RMB3,500,000, RMB11,000,000 and RMB15,000,000 respectively.

Basis for the proposed annual caps

The proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015 have been determined with reference to:

- (i) the historical transaction amount under the various agreements entered into between Golden HK Jewellery and Zhong Chuang in respect of the Continuing Connected Transactions II;
- (ii) the projected number of franchise stores to be established by Zhong Chuang for the three years ending 31 December 2015. It is estimated by Zhong Chuang that the projected number of franchise stores for the period from September to December 2013 and for the two years ending

LETTER FROM THE BOARD

31 December 2015 are 2, 5 and 5 respectively, resulting in a total number of 2, 7 and 12 franchise stores respectively. Such estimation is based on Zhong Chuang's extensive customer base in the Southern area of the PRC, which, in the view of the Directors, can be leveraged by the Group to capture the jewellery market in the Southern area of the PRC;

- (iii) the estimated expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY. Details of the Group's expansion plan have already been disclosed in the corresponding paragraph under the sub-section headed "Basis for the proposed annual caps" in the section headed "Master Agreement I" above; 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.

Baidi Jewellery is principally engaged in sale of jewellery, gold, pearls, jade, artistic products and packaging materials.

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.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS I AND THE CONTINUING CONNECTED TRANSACTIONS II

During 2012, the Group launched  H.K. JEWELRY, a leading jewellery brand for its ambitious expansion to chain retail of jewellery products by diversifying into the jewellery sector from the information technology business. The Group also established Golden HK Jewellery which engaged in design, research and development, manufacturing and sale of precious gem and diamond, pure gold ornaments and corporate gifts under the brand  H.K. JEWELRY. The Group aimed to aggressively extend its presence to the upscale shopping districts in domestic first-tier and second-tier cities and coastal developed cities in the PRC, and accelerate its expansion for a vast jewellery retail network under self-operated, jointly-owned and franchising models in Hong Kong, Macau and the PRC.

Through the Group's efforts to expand the jewellery business since the launch of the brand  H.K. JEWELRY, a number of new self-operated and franchise stores have been opened under the brand  H.K. JEWELRY in the Eastern PRC, the Southern PRC, the Northern PRC and other areas. The Group expects that the number of self-operated and franchise stores will increase to about 50-80 by the end of 2013, and further expand to about 120-160 and 250-280 in 2014 and 2015 respectively.

As the major customer source of gold and jewellery, middle class population of the PRC is expected to grow significantly in the future, suggesting that demand of the world's largest retail market for jewellery will continue to increase. The Group is optimistic about the prospect of the jewellery business. The Directors

LETTER FROM THE BOARD

consider that the entering into the Master Agreement I and Master Agreement II and the transactions contemplated thereunder are in line with the Group's strategic expansion plan by means of franchising model. The Directors are of the view that the opening of franchise stores and supply of the Jewellery Products under the Master Agreement I and the Master Agreement II would also broaden the Group's business horizon and diversify its income stream.

The Continuing Connected Transactions I and the Continuing Connected Transactions II are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

With respect to each of the Master Agreement I and the Master Agreement II, the Directors (including the independent non-executive Directors after obtaining the advice of Bridge Partners but excluding Mr. Lin with respect to the Master Agreement I and Ms. Li with respect to the Master Agreement II) consider that:

- (i) the terms and conditions have been negotiated among the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (ii) the proposed annual caps for transactions contemplated thereunder for the three years ending 31 December 2015 are fair and reasonable; and
- (iii) the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date:

- (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) Baidi Jewellery is owned as to 90% by Didi Investment, which in turn is owned as to 10% and 90% by Mr. Lin and his father respectively. Therefore Baidi Jewellery 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 Master Agreement I and the Master Agreement II constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Since certain applicable percentage ratios relating to the proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II respectively exceed 25% and/or HK\$10,000,000, the Continuing Connected Transactions I and the Continuing Connected Transactions II are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company will seek the Independent Shareholders' approval for the Master

LETTER FROM THE BOARD

Agreement I and the Master Agreement II and the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015 at the SGM.

SGM

A notice convening the SGM is set out on pages 33 to 34 of this circular. The SGM will be convened at 5/F., 663 King's Road, North Point, Hong Kong on Monday, 11 November 2013 at 12:00 noon for the purpose of the Independent Shareholders considering, and if thought fit, approving, among other matters, (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015.

At the Board meeting on 18 September 2013 approving, among other matters, the Master Agreement I and the Master Agreement II, (i) Mr. Lin has abstained from voting on the resolutions approving the Master Agreement I and the proposed annual caps for the Continuing Connected Transaction I for the three years ending 31 December 2015 in which he or any of his associate is materially interested in; and (ii) Ms. Li has abstained from voting on the resolutions approving the Master Agreement II and the proposed annual caps for the Continuing Connected Transaction II for the three years ending 31 December 2015 in which she or any of her associate is materially interested in.

At the SGM, (i) Mr. Lin and his associates will abstain from voting on the resolutions approving the Master Agreement I and the proposed annual caps for the Continuing Connected Transaction I for the three years ending 31 December 2015; and (ii) Ms. Li and her associates will abstain from voting on the resolutions approving the Master Agreement II and the proposed annual caps for the Continuing Connected Transaction II for the three years ending 31 December 2015. As at the Latest Practicable Date, Ms. Li and Mr. Lin respectively held 422,909,967 shares and 148,910,166 shares in the Company, representing approximately 35.58% and 12.53% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, none of the persons (excluding Ms. Li and Mr. Lin) who are required to abstain from voting at the SGM is holding any shares in the Company as at the Latest Practicable Date.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Independent Shareholders at the SGM must be taken by poll, the results of which will be announced after the SGM.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transaction II for the three years ending 31 December 2015. Bridge Partners has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM.

Your attention is also drawn to the letter from Bridge Partners as set out on pages 17 to 26 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transaction II for the three years ending 31 December 2015.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Bridge Partners, considers that:

- (i) the terms and conditions of each of the Master Agreement I and the Master Agreement II are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned;
- (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015 are fair and reasonable so far as the Independent Shareholders are concerned; and
- (iii) the Continuing Connected Transactions I and the Continuing Connected Transactions II are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015 at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
HONG KONG JEWELLERY HOLDING LIMITED
Yip Tin Hung
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.


HONG KONG JEWELLERY HOLDING LIMITED
香港珠寶控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 8048)

25 October 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
MASTER AGREEMENT I
MASTER AGREEMENT II**

We refer to the circular issued by the Company to the Shareholders dated 25 October 2013 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the GEM Listing Rules, the transactions contemplated under each of the Master Agreement I and the Master Agreement II constitute continuing connected transactions for the Company and are therefore subject to the approval of the Independent Shareholders at the SGM.

We have been appointed by the Board to advise the Independent Shareholders in connection with (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015, details of which are set out in the letter from the Board contained in the Circular. Bridge Partners has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Having considered the principal factors and reasons considered by, and the advice and opinion of, Bridge Partners as set out in its letter of advice contained in the Circular, we consider that: (i) the terms and conditions of each of the Master Agreement I and the Master Agreement II are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015 are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Continuing Connected Transactions I and the Continuing Connected Transactions II are conducted in the ordinary and usual course of business of the Group and in the interest of the Company

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving, among other matter, (i) the Master Agreement I and the Master Agreement II and (ii) the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015 at the SGM.

Yours faithfully,

Independent Board Committee

HONG KONG JEWELLERY HOLDING LIMITED

Lam Tin Faat

Lu Haina

Fu Ping Man

Independent Non-executive Directors

LETTER FROM BRIDGE PARTNERS

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners relating to the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II) and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular:



BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

25 October 2013

*To the Independent Board Committee
and the Independent Shareholders of Hong Kong Jewellery Holding Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS MASTER AGREEMENT I AND MASTER AGREEMENT II

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015) and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 25 October 2013 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

As at the Latest Practicable Date, 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. Baidi Jewellery is owned as to 90% by Didi Investment, which in turn is owned as to 10% and 90% by Mr. Lin and his father respectively. Therefore, Baidi Jewellery is an associate of Mr. Lin, and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM BRIDGE PARTNERS

Since certain applicable percentage ratios relating to the proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II exceed 25% and/or HK\$10,000,000, the Continuing Connected Transactions I and the Continuing Connected Transactions II are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company will seek the Independent Shareholders' approval at the SGM for the Master Agreement I and the Master Agreement II and the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015.

At the SGM, (i) Mr. Lin and his associates will abstain from voting on the resolutions approving the Master Agreement I and the proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015; and (ii) Ms. Li and her associates will abstain from voting on the resolutions approving the Master Agreement II and the proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015. As at the Latest Practicable Date, Ms. Li and Mr. Lin held 422,909,967 shares and 148,910,166 shares in the Company, representing approximately 35.58% and 12.53% of the existing issued share capital of the Company respectively. To the best knowledge, information and belief of the Directors, none of the persons (excluding Ms. Li and Mr. Lin) who are required to abstain from voting at the SGM is holding any shares in the Company as at the Latest Practicable Date.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015) and the transactions contemplated thereunder are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, among others, (i) the agreements entered into between Golden HK Jewellery and Baidi Jewellery/Zhong Chuang/Independent Third Parties in respect of the establishment of franchise stores; (ii) the projected revenue of Baidi Jewellery and Zhong Chuang for the three years ending 31 December 2015; (iii) the interim report of the Company for the six months ended 30 June 2013 (the "**Interim Report**") and (iv) the forecasted number of franchise stores to be established by Baidi Jewellery/Zhong Chuang/the Group for the three years ending 31 December 2015. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due enquiries and careful consideration. We have also assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company, any of their respective subsidiaries or associates, the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true, accurate and complete up to and including the date of the SGM. We consider that we have been provided with sufficient information to

LETTER FROM BRIDGE PARTNERS

form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts which have been provided to us or contained in the Circular.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, Baidi Jewellery, Zhong Chuang, or their subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions I and the Continuing Connected Transactions II.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions I and the Continuing Connected Transactions II and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders with regard to the Continuing Connected Transactions I and the Continuing Connected Transactions II, we have taken the following principal factors and reasons into consideration:

(A) Background, reasons for and benefits of entering into the Master Agreement I and the Master Agreement II

The principal business of the Company is investment holding. Its 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.

During 2012, the Group launched  H.K. JEWELRY, a new brand for developing the retail business of Jewellery Products. As such, sale of the Jewellery Products has become a new business segment of the Group and contributed a turnover of HK\$60,550,000 during the six month period ended 30 June 2013, representing approximately 24.2% of the unaudited total turnover of the Group.

As stated in the “Letter from the Board”, the Group aimed to aggressively extend its presence to the upscale shopping districts in domestic first-tier and second-tier cities and coastal developed cities in the PRC, and accelerate its expansion for a vast jewellery retail network under self-operated, jointly-owned and franchising models in Hong Kong, Macau and the PRC. The Directors consider that the entering into the Master Agreement I and the Master Agreement II and the transactions contemplated thereunder are in line with the Group’s expansion plan by means of the franchising model. We concur with the Directors’ view that the entering into the Master Agreement I and the Master Agreement II enables the Group (i) to sell the Jewellery Products under the brand  H.K. JEWELRY in the Eastern area of the PRC, the Southern area of the PRC, the Northern area of the PRC and other areas; and (ii) to carry on the franchising business in the near future.

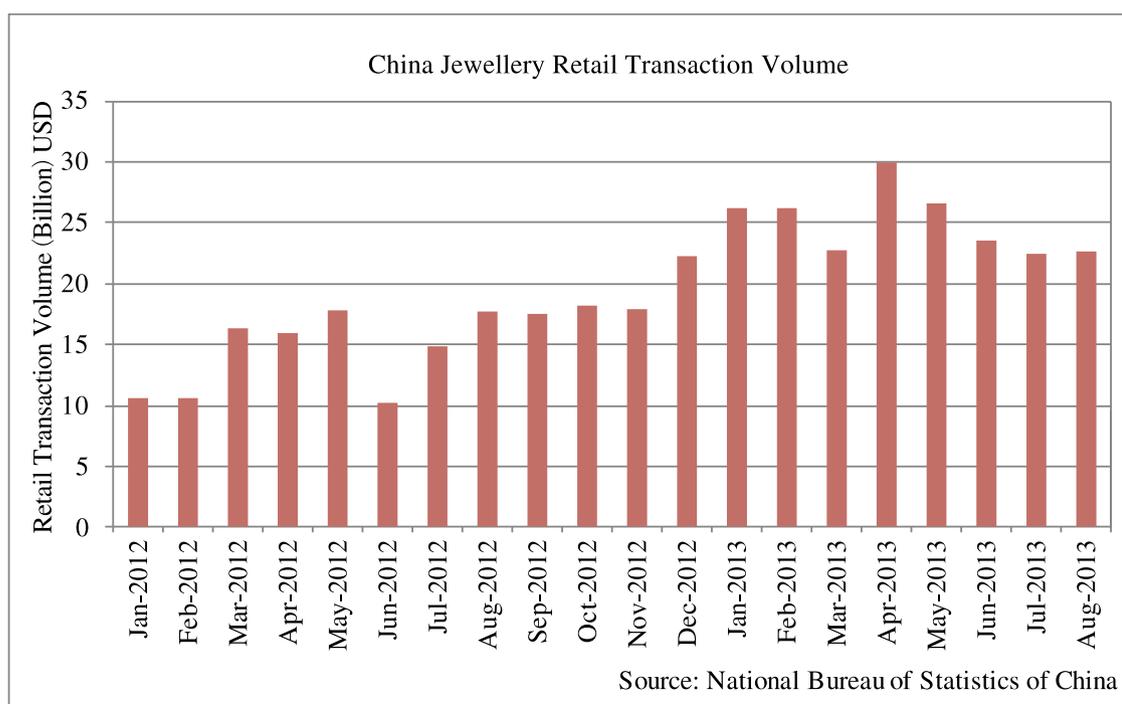
LETTER FROM BRIDGE PARTNERS

In addition, given that sale of the Jewellery Products has been becoming an integral part of the principal business of the Group, we concur with the Directors' view that both of the Master Agreement I and the Master Agreement II provides a basic framework for the Group's future business transactions which are essential to the Group's continued operation and development. Therefore, we are of the view that the entering into the Master Agreement I and the Master Agreement II is in line with the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole.

(B) Analysis on the jewellery market in the PRC

According to information published by the National Bureau of Statistics of China, since there is rising competition in the labour market, the annual average wage for employees at private companies in the PRC was RMB28,752 in 2012, increased by approximately 17.1% as compared to year 2011. As a result of this, spending power of the PRC citizens will increase and the middle income group will expand accordingly.

In recent years, gold jewellery has evolved from its traditional designs. As a result, gold products have become more appealing to a wider range of customers. According to the article issued by China Gold Association on 12 August 2013 as extracted from the website www.cngold.org.cn, gold consumption in the PRC reached 706.36 tonnes in the first half of 2013, up 53.7% year-on-year, of which 383.86 tonnes were attributed to gold jewellery, increasing by 43.6% year-on-year. It is expected that there is still room for growth in the PRC's gold jewellery consumer market driven by continued increase in upscale consumption due to the rise in average income and the trend of buying gold as an inflation hedge.



In 2012, the growth rate in total retail sales of jewellery was approximately 16.0% as compared with 2011. A fall in gold prices caused the demand for gold to increase which raised the gold consumption in April 2013 within the PRC. As illustrated from the above chart, retail sales of jewellery in April 2013

LETTER FROM BRIDGE PARTNERS

reached USD30.3 billion, representing a growth of 72.2% as compared to April 2012. In 2013, the relative growth in the jewellery market has been steadily increasing, constantly outperforming their corresponding month in 2012, which is a good indicator of the general positive outlook on the jewellery market in the PRC.

According to the news published by Jewellery News Asia on 31 July 2013, as a result of falling diamond prices, the total transaction volume in Shanghai Diamond Exchange in the first half of 2013 was USD1.98 billion, a 2.4% increase year-on-year and an indication that the mainland diamond consumption is on the rise. Supported by the increasing spending power and expansion of middle income group in the PRC, demand for product quality for jewellery products will continue to increase. The luxury consumption market in Mainland China remains optimistic. According to information from the World Gold Council, demand for gold and related investments in the PRC reached 122.9 tonnes, making it the world's largest gold investor in the second quarter of 2013. The PRC also dominated the jewellery market after the United States of America, placing it as the world's second largest jewellery market. In conjunction with the appreciation of Renminbi, substantial increase in purchasing power and the increasing appetite for luxury products of Mainland due to substantial growth in disposable income, all these aforementioned factors have attributed to the strong growth of the industry. At the current rate, it is estimated that the PRC will account for more than 20% of the world's luxury sales by 2015.

In view of the above, in particular, (i) the increasing spending power and expansion of middle income group in the PRC, (ii) the drop in gold price and increase in gold demand, and (iii) the growth rate of the retail sales of jewellery in the PRC market, we consider that the future development of the jewellery market in the PRC is positive. In this regard, we consider that the entering into the Continuing Connected Transactions I and the Continuing Connected Transactions II are fair and reasonable.

(C) Major terms of the Master Agreement I and the Master Agreement II

The principal terms of the Master Agreement I and the Master Agreement II are summarized as follows:

Pursuant to the Master Agreement I, Golden HK Jewellery shall (a) permit Baidi Jewellery to establish franchise stores under the brand  H.K. JEWELRY; (b) 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; (c) 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. The actual amount and payment method regarding the aforesaid price and fees shall be negotiated by Golden Jewellery and Baidi Jewellery in good faith and stipulated in the individual agreements.

The term, subject matters, and price and fees under the Master Agreement II are identical with those of the Master Agreement I. The price and fees payable by Baidi Jewellery or Zhong Chuang should be no less favourable to the Group than those offered by the Group to Independent Third Party customers for products or services of a similar type. According to the management of the Company, the franchise fee of all the Jewellery Products payable by Baidi Jewellery and Zhong Chuang to the Group will be settled by cash on a monthly basis for each franchise store in the PRC at a prescribed fee. In respect of the sale price and the labeling fee of all the Jewellery Products supplied to Baidi Jewellery and Zhong Chuang, it will be also settled by cash on a monthly basis.

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According to the Company, the unified national supply price of the Jewellery Products and the unified national price of the franchise fee and the labeling fee are set by the Group and made reference to (i) the price set by other suppliers and/or franchisors within the jewellery industry, (ii) market competition and (iii) the business development stage of the Group. To the best of the Directors' knowledge, belief and information, the source of the unified national supply price of the Jewellery Products comes from certain guidelines in the jewellery industry. In addition, as discussed with the management of the Company, the prices of gold and diamond are set by the Group according to the price standard (with certain extent of fluctuation) promulgated by the Shanghai Gold Exchange and the Shanghai Diamond Exchange, respectively. The wholesale price of raw materials for jade and gem is determined with reference to the comparable level of the wholesale price within the jewellery industry. The overall price of the Jewellery Products is subjected to a certain extent of fluctuation following changes in design, pattern, processing and market demand.

We have reviewed and compared the terms of the franchise agreements and supplemental agreements entered into between Golden HK Jewellery and the Independent Third Party franchisors. We note that the franchise fee rates (including the joining fee, guarantee fees and maintenance fees etc.) charged to Baidi Jewellery and Zhong Chuang are comparable to those charged to the Independent Third Party franchisors. Given that (i) Golden HK Jewellery is the key supplier of Baidi Jewellery and Zhong Chuang for the Jewellery Products; (ii) the unified national supply price of the Jewellery Products and the unified national price of the franchise fee and the labeling fee are set by the Group with reference to the aforementioned factors, including but not limited to the market competition, and (iii) the price and fees payable by Baidi Jewellery or Zhong Chuang should be no less favourable to the Group than those offered by the Group to Independent Third Party customers for products or services of a similar type, we considered that the terms of each of the Master Agreement I and the Master Agreement II, including the payment terms, selling price and conditions, are on normal commercial terms and fair and reasonable.

(D) Proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II

The proposed annual caps for the Continuing Connected Transactions I for the three years ending 31 December 2015 are RMB60,000,000, RMB77,000,000 and RMB95,000,000 respectively. The proposed annual caps for the Continuing Connected Transactions II for the three years ending 31 December 2015 are RMB3,500,000, RMB11,000,000 and RMB15,000,000 respectively.

The proposed annual caps for the Continuing Connected Transactions I and II for the three years ending 31 December 2015 have been determined with reference to: (i) the historical transaction amounts between Golden HK Jewellery and Baidi Jewellery (for the Continuing Connected Transactions I) and between Golden HK Jewellery and Zhong Chuang (for the Continuing Connected Transactions II); (ii) the projected number of franchise stores to be established by Baidi Jewellery (for the Continuing Connected Transactions I) and by Zhong Chuang (for the Continuing Connected Transactions II) for the three years ending 31 December 2015; (iii) the projected expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY; and (iv) the prevailing market conditions. To assess whether the proposed caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II are fair and reasonable, we have analysed the jewellery market in the PRC, reviewed the summary sheet for the forecasted number of franchise stores and assessed the following factors:

LETTER FROM BRIDGE PARTNERS

(1) The Continuing Connected Transactions I – The historical transaction amounts between Golden HK Jewellery and Baidi Jewellery

Pursuant to the Continuing Connected Transactions I, the historical transaction amounts for the year ended 31 December 2012 and for the eight months ended 31 August 2013 were approximately RMB1,789,000 and RMB46,880,000 respectively. According to the management of the Company, the transaction amount for the year ended 31 December 2012 mainly came from the franchise fee and the labeling fee of all the Jewellery Products. As Baidi Jewellery has established a number of franchise stores since 2012, the sales of the Jewellery Products are expected to increase accordingly.

(2) The Continuing Connected Transactions II – The historical transaction amounts between Golden HK Jewellery and Zhong Chuang

Pursuant to the Continuing Connected Transactions II, the historical transaction amount for the eight months ended 31 August 2013 was approximately RMB1,940,000. According to the management of the Company, Zhong Chuang has established 2 franchise stores in 2013 and it is expected that 10 additional franchise stores will be opened in year 2014 and 2015.

(3) The projected number of franchise stores to be operated by Baidi Jewellery and Zhong Chuang for the three years ending 31 December 2015

Set out in the table below are the total number of franchise stores operated and to be operated by Baidi Jewellery and Zhong Chuang from 2012 to 2015 under the Continuing Connected Transactions I and the Continuing Connected Transactions II respectively.

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	Total number of franchise stores					
	2012 <i>(Actual)</i>	January to August, 2013 <i>(Actual)</i>	September to December, 2013 <i>(Forecast)</i>	2013 <i>(Actual and Forecast)</i>	2014 <i>(Forecast)</i>	2015 <i>(Forecast)</i>
Operated and to be operated by Baidi Jewellery under the Continuing Connected Transactions I	7	12	15	15	22	27
<i>Annual growth rate</i>				114.3%	46.7%	22.7%
Operated and to be operated by Zhong Chuang under the Continuing Connected Transactions II	0	2	2	2	7	12
<i>Annual growth rate</i>				-	250%	71.4%

As set out in the table above, the annual growth rates in the total number of franchise stores operated and to be operated by Baidi Jewellery for the Continuing Connected Transactions I are approximately 114.3%, 46.7% and 22.7% for the three years ending 31 December 2015 respectively. The annual growth rates in the total number of stores of the Group for the Continuing Connected Transactions II are nil, approximately 250% and 71.4% for the three years ending 31 December 2015 respectively.

As discussed with the management of the Group, significant increase in the projected number of franchise stores is mainly due to the Group's expansion plan of the distribution network in the PRC which is expected to cover a total of 30 cities/provinces nationwide in December 2015. The Directors also expect that more franchise stores will be operated by the Group in 2015. With the extensive experience of Baidi Jewellery in the jewellery industry of the Eastern area of the PRC, the Directors believe that more franchise stores will be opened and the Group's foothold in the Eastern area of the PRC will be further enhanced. On the other hand, the Directors believe that the Group can capture the jewellery market in the Southern area of the PRC by leveraging Zhong Chuang's extensive customer base in the Southern area of the PRC.

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(4) *The estimated expansion of the retail business in relation to the Jewellery Products of the Group under the brand  H.K. JEWELRY*

As mentioned in the “Management Discussion and Analysis” in the Interim Report, the Directors are of the view that the demand of the PRC’s retail market for jewellery will continue to increase as the middle class population of the Mainland China is expected to grow significantly in the future. The Directors also expect that several operation centers will be opened in Nanjing, Shandong, Beijing and other cities, which will help to further promote the brand  H.K. JEWELRY in the PRC.

According to the section headed “Analysis on the jewellery market in the PRC” in this letter, the growth in sales in the retail jewellery market has been steadily increasing in 2013, which is a good indicator of the general positive outlook on jewellery market in the PRC. Moreover, as stated in the Interim Report, the net cash inflow generated from operations of the Group was approximately HK\$44,865,000 for the six months ended 30 June 2013 and the unaudited bank balances and cash was approximately HK\$78,265,000 as at 30 June 2013. We concur with the Directors’ view that the Group has adequate financial resources to support its business expansion.

Based on (i) the historical transaction amounts between Golden HK Jewellery and Baidi Jewellery (for the Continuing Connected Transactions I) and between Golden HK Jewellery and Zhong Chuang (for the Continuing Connected Transactions II); (ii) the estimated number of franchise stores to be operated by Baidi Jewellery (for the Continuing Connected Transactions I) and Zhong Chuang (for the Continuing Connected Transactions II) for the three years ending 31 December 2015; (iii) the general positive outlook on the jewellery market in the PRC; (iv) the Group’s ability to generate positive operating cash flows and the Group’s cash position, we consider that the projection on the growth of the number of franchise stores to be operated by Baidi Jewellery (for the Continuing Connected Transactions I) and Zhong Chuang (for the Continuing Connected Transactions II) in the PRC for the three years ending 31 December 2015 is reasonable. We also consider that the basis and the factors that the Directors have taken into account in determining the proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II are relevant and justifiable and we consider these proposed annual caps are reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that each of the Master Agreement I and the Master Agreement II are on normal commercial terms and the entering into the Master Agreement I and the Master Agreement II are conducted in the ordinary and usual course of business of the Group. We are also of the view the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM BRIDGE PARTNERS

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the upcoming SGM to approve the Master Agreement I and the Master Agreement II (including the respective proposed annual caps for the Continuing Connected Transactions I and the Continuing Connected Transactions II for the three years ending 31 December 2015) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity/Number of Shares held			Total	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
	Beneficial owner	Held by family	Held by controlled corporation		
Ms. Li	–	–	422,909,967 ⁽¹⁾	422,909,967	35.58%
Mr. Lin	–	–	148,910,166 ⁽²⁾	148,910,166	12.53%

Notes:

- (1) These Shares were held by Sino Eminent Limited, a company incorporated in the BVI which is held as to 72.60% by Ms. Li through Ocean Expert Investments Limited, a company incorporated in the BVI.
- (2) These Shares were held by Confluence Holdings Limited, a company incorporated in the BVI which is held as to 100% by Mr. Lin.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons or corporations who had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Ms. Li	Interest in a controlled corporation	422,909,967 ⁽¹⁾	35.58%
Ocean Expert Investments Limited	Interest in a controlled corporation	422,909,967 ⁽¹⁾	35.58%
Sino Eminent Limited	Beneficial owner	422,909,967 ⁽¹⁾	35.58%
Confluence Holdings Limited	Beneficial owner	148,910,166 ⁽²⁾	12.53%
Mr. Lin	Interest in a controlled corporation	148,910,166 ⁽²⁾	12.53%
Cheung Kong (Holdings) Limited	Interest in a controlled corporation	143,233,151 ⁽³⁾	12.05%
Li Ka-Shing	Founder of trust and interest in a controlled corporation	143,233,151 ⁽³⁾	12.05%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Li Ka-Shing Unity Trustcorp Limited	Trustee	143,233,151 ⁽³⁾	12.05%
Li Ka-Shing Unity Trustee Company Limited	Trustee	143,233,151 ⁽³⁾	12.05%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee	143,233,151 ⁽³⁾	12.05%
Alps Mountain Agent Limited	Beneficial owner	71,969,151 ⁽³⁾	6.06%
iBusiness Corporation Limited	Beneficial owner	67,264,000 ⁽³⁾	5.66%

Notes:

- (1) Sino Eminent Limited is held as to 72.60% by Ms. Li through Ocean Expert Investments Limited. Accordingly, Ms. Li and Ocean Expert Investments Limited are deemed to be interested in the 422,909,967 Shares interested by Sino Eminent Limited.
- (2) Confluence Holdings Limited is held as to 100% by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 148,910,166 Shares interested by Confluence Holdings Limited.
- (3) Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”). Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust (“UT1”) but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited (“Alps”) and iBusiness Corporation Limited (“iBusiness”).

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness.

Save as disclosed herein, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons or corporations having interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling Shareholders or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. INTERESTS IN CONTRACTS

As at the Latest Practicable Date, save as the Master Agreement I, the Master Agreement II, the Master Agreement III and the Master Agreement IV which had been entered into on 18 September 2013 (details of which are set out in the Announcement and this circular), none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advice contained in this circular.

Name	Qualification
Bridge Partners	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Bridge Partners:–

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at 5/F., 663 King's Road, North Point, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the SGM:

- (a) the Master Agreement I;
- (b) the Master Agreement II;
- (c) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;
- (d) the letter from Bridge Partners containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 26 of this circular; and
- (e) the written consent from Bridge Partners referred to in paragraph 8 of this appendix.

10. GENERAL

The English text of this circular and the enclosed form of proxy shall prevail over its Chinese text.

NOTICE OF SGM



HONG KONG JEWELLERY HOLDING LIMITED

香港珠寶控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Hong Kong Jewellery Holding Limited (the “**Company**”) will be held at 5/F., 663 King’s Road, North Point, Hong Kong on Monday, 11 November 2013 at 12:00 noon for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

“THAT

- (1) with respect to the master agreement dated 18 September 2013 and entered into between 金香港珠寶(深圳)有限公司 (Golden HK Jewellery (Shenzhen) Company Limited*) and 杭州百迪珠寶有限公司 (Hangzhou Baidi Jewellery Company Limited*) (the “**Master Agreement I**”):
 - (a) the Master Agreement I and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) the proposed annual caps for the continuing connected transactions constituted by the transactions contemplated under the Master Agreement I for the three years ending 31 December 2015 as set out in the circular of the Company dated 25 October 2013 be and are hereby approved, confirmed and ratified; and
 - (c) any one director of the Company be and is hereby authorized to take any step and execute any other documents and to do all such acts or things as he/she considers necessary, desirable and expedient in connection with the Master Agreement I and the transactions contemplated thereunder; and
- (2) with respect to the master agreement dated 18 September 2013 and entered into between 金香港珠寶(深圳)有限公司 (Golden HK Jewellery (Shenzhen) Company Limited*) and 深圳市中創聯合投資有限公司 (Shenzhen City Zhong Chuang Union Investment Company Limited*) (the “**Master Agreement II**”):
 - (a) the Master Agreement II and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

* For identification purposes only

NOTICE OF SGM

- (b) the proposed annual caps for the continuing connected transactions constituted by the transactions contemplated under the Master Agreement II for the three years ending 31 December 2015 as set out in the circular of the Company dated 25 October 2013 be and are hereby approved, confirmed and ratified; and
- (c) any one director of the Company be and is hereby authorized to take any step and execute any other documents and to do all such acts or things as he/she considers necessary, desirable and expedient in connection with the Master Agreement II and the transactions contemplated thereunder.”

By Order of the Board
HONG KONG JEWELLERY HOLDING LIMITED
Yip Tin Hung
Executive Director

Hong Kong, 25 October 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
5/F., 663 King's Road
North Point
Hong Kong

Notes:

1. The register of members of the Company will be closed from Thursday, 7 November 2013 to Friday, 8 November 2013, both days inclusive, during which period no transfer of shares will be registered. The record date will be Friday, 8 November 2013. For the purpose of ascertaining the members' entitlement to the attendance of the Meeting, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 November 2013.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote in his/her/its stead. A proxy need not be a member of the Company.
3. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or at any adjournment thereof).
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Resolutions as set out in this notice will be taken by poll at the Meeting.