



HONG KONG JEWELLERY HOLDING LIMITED
香港珠寶控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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 the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of Hong Kong Jewellery Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- During the year ended 31 December 2012, the Group's profit attributable to the owners of the Company was HK\$34,158,000, as compared with a profit of HK\$2,591,000 in the same period of 2011. The jump of profit growth was mainly due to the gain on disposal of properties of HK\$30,870,000 during the year under review.
- The Group recorded a turnover of HK\$349,105,000 in 2012, representing a decrease of 32% compared with a turnover of HK\$512,900,000 in 2011.
- Sales of enterprise software products increased by 57% to HK\$155,218,000 (2011: HK\$98,920,000), systems integration business decreased by 59% to HK\$145,676,000 (2011: HK\$355,376,000) and revenue on professional services business decreased by 17% to HK\$44,770,000 (2011: HK\$54,068,000). The ASP business decreased by 24% to HK\$3,441,000 (2011: HK\$4,536,000).
- Earnings per share for profit attributable to the owners of the Company during the year of 2012 was HK3.37 cents.

RESULTS

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2012, together with the comparative figures for the corresponding period in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	3	349,105	512,900
Other income	4	35,938	2,243
Change in inventories		47,344	(13,582)
Purchase of goods		(184,645)	(333,732)
Professional fee		(41,556)	(15,554)
Employee benefits expense		(135,197)	(121,126)
Depreciation and amortisation		(4,773)	(3,623)
Other expenses		(29,459)	(24,619)
Finance costs	5	(295)	(293)
Share of loss of an associate		–	(24)
Profit before income tax	6	36,462	2,590
Income tax expense	7	(1,361)	(219)
Profit for the year		35,101	2,371
Other comprehensive income for the year, including reclassification adjustments and net of tax*			
Exchange gain on translation of financial statements of foreign operations		487	791
Change in fair value of available-for-sale financial assets		(123)	(476)
Impairment loss on available-for-sale financial assets transferred to profit or loss		123	476
Other comprehensive income for the year		487	791
Total comprehensive income for the year		35,588	3,162

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Owners of the Company		34,158	2,591
Non-controlling interests		<u>943</u>	<u>(220)</u>
		<u>35,101</u>	<u>2,371</u>
Total comprehensive income attributable to:			
Owners of the Company		34,559	3,025
Non-controlling interests		<u>1,029</u>	<u>137</u>
		<u>35,588</u>	<u>3,162</u>
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic and diluted	8	<u>HK3.37 cents</u>	<u>HK0.26 cents</u>

* There is no tax effect on the component of other comprehensive income for the years ended 2012 and 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		10,000	14,656
Interest in an associate		–	–
Available-for-sale financial assets		2,543	6,566
Goodwill		–	1,140
Development costs	<i>11</i>	2,633	4,737
Finance lease receivables		–	187
Deferred tax assets		2,078	1,900
		<u>17,254</u>	<u>29,186</u>
Current assets			
Inventories	<i>12</i>	47,997	653
Finance lease receivables		187	379
Amounts due from customers for contract work		53,120	34,489
Trade receivables	<i>13</i>	138,608	41,836
Other receivables, deposits and prepayments		41,158	13,270
Financial assets at fair value through profit or loss		5,151	4,752
Bank balances and cash		87,763	69,233
		<u>373,984</u>	<u>164,612</u>
Current liabilities			
Trade payables	<i>14</i>	73,127	27,140
Other payables and accrued charges		40,476	37,078
Borrowings	<i>15</i>	111,374	6,002
Amounts due to customers for contract work		12,264	6,892
Amounts due to directors		1,648	–
Tax payables		391	316
		<u>239,280</u>	<u>77,428</u>
Net current assets		<u>134,704</u>	<u>87,184</u>
Net assets		<u>151,958</u>	<u>116,370</u>
EQUITY			
Share capital		101,505	101,505
Reserves		40,158	5,599
Equity attributable to owners of the Company		141,663	107,104
Non-controlling interests		10,295	9,266
Total equity		<u>151,958</u>	<u>116,370</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Equity attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Investment revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000			
Balance at 1 January 2011	98,505	179,650	-	5,178	(182,160)	101,173	6,465	107,638
Issue of share capital	3,000	-	-	-	-	3,000	-	3,000
Share issuance expenses	-	(94)	-	-	-	(94)	-	(94)
Capital contribution by non-controlling interests of a subsidiary	-	-	-	-	-	-	2,664	2,664
Transactions with owners	<u>3,000</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,906</u>	<u>2,664</u>	<u>5,570</u>
Profit/(Loss) for the year	-	-	-	-	2,591	2,591	(220)	2,371
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	434	-	434	357	791
Change in fair value of available-for-sale financial assets	-	-	(476)	-	-	(476)	-	(476)
Impairment loss on available-for-sale financial assets transferred to profit or loss	-	-	476	-	-	476	-	476
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>434</u>	<u>2,591</u>	<u>3,025</u>	<u>137</u>	<u>3,162</u>
Balance at 31 December 2011 and 1 January 2012	<u>101,505</u>	<u>179,556</u>	<u>-</u>	<u>5,612</u>	<u>(179,569)</u>	<u>107,104</u>	<u>9,266</u>	<u>116,370</u>
Profit for the year	-	-	-	-	34,158	34,158	943	35,101
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	401	-	401	86	487
Change in fair value of available-for-sale financial assets	-	-	(123)	-	-	(123)	-	(123)
Impairment loss on available-for-sale financial assets transferred to profit or loss	-	-	123	-	-	123	-	123
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>401</u>	<u>34,158</u>	<u>34,559</u>	<u>1,029</u>	<u>35,588</u>
Balance at 31 December 2012	<u>101,505</u>	<u>179,556</u>	<u>-</u>	<u>6,013</u>	<u>(145,411)</u>	<u>141,663</u>	<u>10,295</u>	<u>151,958</u>

* These reserves accounts comprise the Group's reserves of HK\$40,158,000 (2011: HK\$5,599,000) in the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

2 ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2012. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of these HKFRSs but are not yet in the position to state whether they would have any material impact on the Group’s financial statements.

3 REVENUE AND TURNOVER

Revenue from external customers from the Group's principal activities recognised during the year is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Enterprise software products	155,218	98,920
Systems integration	145,676	355,376
Professional services	44,770	54,068
ASP services	3,441	4,536
	<u>349,105</u>	<u>512,900</u>

4 OTHER INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other revenue		
Interest income	958	653
Dividend income from listed securities	122	133
Management fee income	2,200	–
Others	640	334
	<u>3,920</u>	<u>1,120</u>
Other net income		
Fair value gain on financial assets at fair value through profit or loss	1,006	–
Net gain on disposal of property, plant and equipment	30,870	–
Gain on disposal of an associate	–	41
Gain on disposal of available-for-sale financial assets	–	183
Gain on disposal of financial assets at fair value through profit or loss	142	–
Reversal of provision for impairment of trade receivables	–	360
Net foreign exchange gain	–	381
Sundry income	–	158
	<u>32,018</u>	<u>1,123</u>
	<u>35,938</u>	<u>2,243</u>

5 FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest charges on:		
Finance charges on obligations under finance leases	-	3
Other interest expense	295	290
	<u>295</u>	<u>290</u>
	<u>295</u>	<u>293</u>

6 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cost of inventories sold	137,301	347,314
Cost of services rendered	150,431	116,082
Depreciation	2,677	2,341
Amortisation of development costs	2,096	1,282
Auditors' remuneration	988	837
Net (gain)/loss on disposal of property, plant and equipment	(30,870)	8
Gain on disposal of available-for-sale financial assets	-	(183)
Impairment loss on goodwill	1,140	-
Impairment loss on available-for-sale financial assets	4,023	476
Provision for doubtful trade and other receivables	13	111
Fair value (gain)/loss on financial assets at fair value through profit or loss	(1,006)	1,864
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	(142)	46
Net exchange loss/(gain)	74	(381)
Operating lease charges on land and buildings	<u>6,554</u>	<u>5,833</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
– Hong Kong		
Current year	-	143
– Overseas		
Current year	<u>1,539</u>	<u>676</u>
	1,539	819
Deferred tax		
Current year	<u>(178)</u>	<u>(600)</u>
Total income tax expense	<u>1,361</u>	<u>219</u>

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before income tax	<u>36,462</u>	<u>2,590</u>
Tax at the Hong Kong profits tax rate of 16.5% (2011: 16.5%)	6,016	427
Tax effect of non-taxable revenue	(5,153)	(1,191)
Tax effect of non-deductible expenses	3,690	2,538
Tax effect of unrecognised temporary differences	22	33
Tax effect of unrecognised tax losses	1,141	984
Utilisation of previously unrecognised tax losses	(4,248)	(2,158)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(246)	(443)
Others	<u>139</u>	<u>29</u>
Income tax expense	<u>1,361</u>	<u>219</u>

8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK\$34,158,000 (2011: HK\$2,591,000) and the weighted average number of ordinary shares of 1,015,050,000 (2011: 1,000,255,479) in issue during the year.

Diluted earnings per share for the year ended 31 December 2012 and 2011 equates the basic earnings per share as there is no potential ordinary share in existence during the year.

9 SEGMENT INFORMATION

The business components in the internal financial information reported to the executive directors are determined by the Group's major geographical areas. The Group has identified Hong Kong, The People's Republic of China ("PRC") and Taiwan, and South East Asia as the reportable segments. Each of these operating segments is managed separately as each of the geographical areas requires different resources as well as marketing approaches.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

In 2012, the Group has just started up its operation in relation to its jewellery business in the PRC and has an insignificant impact to the Group's financial statements for the year.

	2012			
	Hong Kong <i>HK\$'000</i>	PRC and Taiwan <i>HK\$'000</i>	South East Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
– From external customers	136,878	203,631	8,596	349,105
– From other segments	17,620	25,589	3,012	46,221
Reportable segment revenue	<u>154,498</u>	<u>229,220</u>	<u>11,608</u>	<u>395,326</u>
Reportable segment profit/(loss)	39,676	(4,623)	1,409	36,462
Interest income	358	533	67	958
Depreciation and amortisation of non-financial assets	2,685	2,059	29	4,773
Net gain on disposal of property, plant and equipment	30,870	–	–	30,870
Gain on disposal of financial assets at fair value through profit or loss	142	–	–	142
Fair value gain on financial assets at fair value through profit or loss	1,006	–	–	1,006
Impairment loss on available-for-sale financial assets	4,023	–	–	4,023
Impairment loss on goodwill	–	1,140	–	1,140
Finance costs	–	295	–	295
Reportable segment assets	<u>193,630</u>	<u>286,416</u>	<u>12,189</u>	<u>492,235</u>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>827</u>	<u>3,100</u>	<u>55</u>	<u>3,982</u>
Reportable segment liabilities	<u>34,347</u>	<u>292,381</u>	<u>13,549</u>	<u>340,277</u>

2011

	Hong Kong HK\$'000	PRC and Taiwan HK\$'000	South East Asia HK\$'000	Total HK\$'000
Revenue				
– From external customers	113,082	390,414	9,404	512,900
– From other segments	9,933	23,184	1,958	35,075
Reportable segment revenue	123,015	413,598	11,362	547,975
Reportable segment profit/(loss)	6,467	(6,324)	2,447	2,590
Interest income	267	347	39	653
Depreciation and amortisation of non-financial assets	1,919	1,667	37	3,623
Net loss on disposal of property, plant and equipment	8	–	–	8
Loss on disposal of financial assets at fair value through profit or loss	46	–	–	46
Fair value loss on financial assets at fair value through profit or loss	1,864	–	–	1,864
Impairment loss on available-for-sale financial assets	476	–	–	476
Gain on disposal of available-for-sale financial assets	183	–	–	183
Finance costs	3	290	–	293
Gain on disposal of an associate	–	41	–	41
Share of loss of an associate	–	24	–	24
Reportable segment assets	169,765	109,621	9,598	288,984
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	1,950	3,351	30	5,331
Reportable segment liabilities	19,144	141,305	12,165	172,614

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2012 HK\$'000	2011 HK\$'000
Reportable segment revenue	395,326	547,975
Elimination of inter segment revenue	(46,221)	(35,075)
Group revenue	349,105	512,900

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Reportable segment assets	492,235	288,984
Consolidation	<u>(100,997)</u>	<u>(95,186)</u>
Group assets	<u>391,238</u>	<u>193,798</u>

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Reportable segment liabilities	340,277	172,614
Consolidation	<u>(100,997)</u>	<u>(95,186)</u>
Group liabilities	<u>239,280</u>	<u>77,428</u>

The Group's non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	3,578	11,467
PRC and Taiwan	8,990	9,028
South East Asia	<u>65</u>	<u>38</u>
Total	<u>12,633</u>	<u>20,533</u>

During 2012, HK\$155,218,000 or 44.46% of the Group's revenue depended on a single customer in the PRC and Taiwan segment (2011: HK\$286,767,000 or 55.91% in the PRC and Taiwan segment). At the reporting date, 72.88% of the Group's trade receivables was due from this customer (2011: 5.86%).

10 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2012.

11 DEVELOPMENT COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At 1 January		
Cost	37,380	36,396
Accumulated amortisation	<u>(32,643)</u>	<u>(31,353)</u>
Net book amount	<u><u>4,737</u></u>	<u><u>5,043</u></u>
Year ended 31 December		
Opening net book amount	4,737	5,043
Additions from internal developments	–	957
Amortisation charge	(2,096)	(1,282)
Exchange differences	<u>(8)</u>	<u>19</u>
Closing net book amount	<u><u>2,633</u></u>	<u><u>4,737</u></u>
At 31 December		
Cost	37,376	37,380
Accumulated amortisation	<u>(34,743)</u>	<u>(32,643)</u>
Net book amount	<u><u>2,633</u></u>	<u><u>4,737</u></u>

The development costs represented all direct costs incurred in the development of enterprise software products. The amortisation charge for the year is included in “depreciation and amortisation” in the consolidated statement of comprehensive income.

12 INVENTORIES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Raw materials	13,918	–
Work in progress	11,454	–
Finished goods	<u>22,625</u>	<u>653</u>
	<u><u>47,997</u></u>	<u><u>653</u></u>

13 TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables		
From third parties	134,997	38,343
From a related party	<u>3,808</u>	<u>3,777</u>
	138,805	42,120
Less: provision for impairment of receivables	<u>(197)</u>	<u>(284)</u>
	<u>138,608</u>	<u>41,836</u>

Trade receivables from third parties are due within 14 days to 60 days from the date of billing. Trade receivable from a related party is repayable on demand. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods at their inception. All trade receivables are expected to be recovered within one year.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 30 days	110,304	22,136
31 – 60 days	16,132	12,174
61 – 90 days	1,627	255
Over 90 days	<u>10,545</u>	<u>7,271</u>
	<u>138,608</u>	<u>41,836</u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The amount of impairment loss of impaired receivables, if any, is recognised based on the credit history of the customer, whether the customer is experiencing financial difficulties and was in default or delinquency of payments, and current market conditions.

The movement in the provision for impairment of trade receivables is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at the beginning of the year	284	523
Impairment loss recognised	13	111
Amount written off during the year	(101)	–
Reversal of provision for impairment losses	–	(360)
Exchange differences	1	10
	<u>197</u>	<u>284</u>
Balance at the end of the year	<u>197</u>	<u>284</u>

14 TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 30 days	16,112	17,876
31 – 60 days	10,766	3,732
61 – 90 days	11,346	–
Over 90 days	34,903	5,532
	<u>73,127</u>	<u>27,140</u>
	<u>73,127</u>	<u>27,140</u>

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of its fair value.

15 BORROWINGS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other borrowings		
– Related companies	<u>111,374</u>	<u>6,002</u>

The loans borrowed from related companies are unsecured, interest-free and repayable within twelve months from the reporting date. The related companies are companies which are controlled by a non-controlling shareholder who can exercise significant influence to the Group.

The carrying amounts of the amounts due approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the year of 2012, the Group's profit attributable to the owners of the Company was HK\$34,158,000, as compared with a profit of HK\$2,591,000 in the same period of 2011. The jump of profit growth was mainly due to the gain on disposal of properties of HK\$30,870,000 during the year under review.

During the year ended 31 December 2012, the Group recorded a turnover of HK\$349,105,000, representing a decrease of 32% compared with a turnover of HK\$512,900,000 in 2011.

Sales of enterprise software products increased by 57% to HK\$155,218,000 (2011: HK\$98,920,000), systems integration business decreased by 59% to HK\$145,676,000 (2011: HK\$355,376,000) and revenue on professional services business decreased by 17% to HK\$44,770,000 (2011: HK\$54,068,000). The ASP business decreased by 24% to HK\$3,441,000 (2011: HK\$4,536,000).

During 2012, the Group has just commenced its operation in relation to its jewellery business in the PRC and has no contribution to the Group's turnover and profit for the year.

OPERATION REVIEW

From the second half of 2012, the Group started jewellery business by diversifying its business sector from information technology.

On marketing network, the Group has established 金香港珠寶(深圳)有限公司, a China operation centre based in Shenzhen, with its brand store and showroom to boost market development and overall operation under the brand H.H.K. JEWELRY. As at 31 December 2012, it successfully opened eight exclusive stores, including one self-operated store and seven franchised stores, under the brand H.H.K. JEWELRY in domestic first-tier and second-tier cities including Shenzhen, Hangzhou, Suzhou, Wuxi and Hefei, which are expected to expand to 50–80 exclusive stores in the coming year. As H.H.K. JEWELRY soon became a popular brand highly recognised by high-end malls and consumers in Mainland China, the Group successfully established long-term partnership with renowned conglomerates in Mainland China.

On product portfolio, H.H.K. JEWELRY focuses on gold, platinum, karat gold jewellery and diamond ornaments with its product family covering emerald, ruby and sapphire, pearl and other varieties according to regional consumer demand, which is designed to cater for the needs of different consumer groups at different levels.

In our IT business side, results of 2012 were positive. While the low-margin systems integration business dropped significantly in turnover, the enterprise software and the professional services business made up the shortfall in profit. The end result is that we have a higher profit despite a lower turnover than that in previous year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group was in a strong financial position with bank balances and cash of HK\$87,763,000 (2011: HK\$69,233,000).

As at 31 December 2012, the Group held unlisted private equity funds with a fair value of US\$326,000 (2011: US\$342,000) for long-term strategic purposes and treated the investment as available-for-sale financial assets.

As at 31 December 2012, the Group invested in the equity securities listed in Hong Kong of HK\$5,151,000 at fair value (2011: HK\$4,752,000).

The Group monitors its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. During 2012, the Group's strategy remains unchanged from 2011, which is to maintain the gearing ratio of not more than 20% in order to support its business. The gearing ratio as at 31 December 2012 was 16% (2011: zero).

CAPITAL STRUCTURE

As at 31 December 2012, the Group's issued shares were 1,015,050,000 (2011: 1,015,050,000).

INVESTMENT

As at 31 December 2011 and 2012, there is no significant investment held by the Group.

CHANGE OF CONTROL OF THE COMPANY AND MANDATORY CASH OFFER

Reference is made to the announcement dated 18 April 2012 jointly issued by the Company and Sino Eminent Limited.

Passion Investment (BVI) Limited and Ms. Zee Chan Mei Chu, Peggy, the former controlling shareholders of the Company agreed to sell and Sino Eminent Limited ("Offeror") agreed to purchase 564,029,197 Sale Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the date of the Joint Announcement of 18 April 2012. The aggregate consideration for the Sale Shares is HK\$115,343,970.79, representing HK\$0.2045 per Sale Share.

Reference is made to the announcement dated 29 June 2012 jointly issued by the Company and Sino Eminent Limited.

The Offeror made the Mandatory Cash Offer (“Offer”) to all the independent shareholders of the Company with the offer price of HK\$0.2045 for each share. Upon closing the offer at the close of business of 29 June 2012, taking into account the 195,212,564 Shares, representing approximately 19.23% of the entire issued share capital of the Company, received from valid acceptance under the Offer, the Offeror is interested in an aggregate of 759,241,761 Shares, representing approximately 74.80% of the entire issued share capital of the Company as at the date of the Joint Announcement of 29 June 2012.

CHANGE OF COMPANY NAME

The Company has changed its name from “Excel Technology International Holdings Limited” to “Hong Kong Jewellery Holding Limited” and adopted 「香港珠寶控股有限公司」 as its secondary name with effect from 20 November 2012. This change of name was approved by shareholders at the Special General Meeting held on 7 November 2012.

SEGMENTAL PERFORMANCE

Hong Kong region turnover was HK\$154,498,000 in 2012, increased by 26% compared with HK\$123,015,000 last year.

The PRC and Taiwan turnover was HK\$229,220,000, decreased by 45% compared with last year (2011: HK\$413,598,000).

South East Asia region turnover was HK\$11,608,000, slightly increased by 2% compared with last year (2011: HK\$11,362,000).

EVENTS AFTER THE REPORTING DATE

On 18 March 2013, the Company entered into a placing agreement with the placing agent in respect of placing of 203,000,000 new shares of the Company at HK\$0.34 per share (the “Placing”). The Placing is expected to be completed on 22 March 2013 and the estimated net proceeds of the Placing is approximately HK\$68,184,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the number of employees of the Group was 525 (2011: 535). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions.

FUTURE PROSPECTS

Along with the improving economic strength and living standards in China, the passion on jewellery will continue to grow. Capturing the favourable opportunity, the Company will continue to optimise its business structure and strengthen corporate management while reinforcing its marketing efforts, aiming to secure market share with heightened product quality and grades. At the same time, the Company will continue to advance its brand strategy to sharpen its competitiveness edge. On corporate management, the Company will further improve its internal control system and management process, clearly define management responsibilities and strengthen the execution of management system, so as to uplift corporate management fundamentals and boost the resistance against risks. The Company is committed to forging itself into a domestically leading and world-class jewellery conglomerate with stronghold business supported by diversified operations and strong international competitiveness.

On the IT business side, Management expects 2013 to be quite positive and yet with many challenges. Management believes the enterprise software business will continue to be the major growth element. We will continue to enhance our software solutions to keep up with the latest trend of financial products and services in the banking industry as so to stay competitive in the market. On the other hand, we will maintain a tight control on the salary cost which is the major expenditure of our IT business.

Looking into the future, the Group shall strive to build up its jewellery business arm as soon as possible. By virtue of our experience, passion and dedication, we seek to expand our self-operated and franchised stores to 50-80 stores in 2013, with an aim at significant year-on-year growths both in revenue and net profit with desirable return to our shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures.

The Company's code of corporate governance practices was adopted with reference to the code provisions of the Code on Corporate Governance Practices ("CG Code") and Corporate Governance Report ("CG Report") contained in Appendix 15 of the GEM Listing Rules.

The Company principally complied with the requirements of the CG Code throughout the year ended 31 December 2012, except for the deviation disclosed under the section headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

- Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of the Company should be separated.
- After both Ms. Zee Chan Mei Chu, Peggy resigned from Chairman and Mr. Fung Din Chung, Rickie resigned from Chief Executive Officer effective from 3 July 2012, Ms. Li Xia was appointed as Chairman and Chief Executive Officer of the Company at the same date. Ms. Li Xia resigned from Chief Executive Officer and Mr. Lin Di, an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company effective from 19 October 2012.
- Although the positions of Chairman and Chief Executive Officer were not separated during the period from 3 July 2012 to 18 October 2012, the powers and authorities had not been concentrated as the major strategic decisions were taken by the Board and the Company has internal controls in place to provide a check and balance on the functions.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.29 of the GEM Listing Rules. The revised terms of reference of Audit committee in accordance with the Code Provision C.3.3 of Amendments to the CG Code of the GEM Listing Rules was adopted on the Board Meeting held on 21 March 2012. The member of audit committee, comprised of Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, all of whom are Independent Non-executive Directors, were newly appointed on 3 July 2012. Mr. Lam Tin Faat is the chairman of the audit committee. The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee met on a quarterly basis during the year ended 31 December 2012.

The Company's financial statements for the year ended 31 December 2012 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 19 March 2013

The Board comprises of:

Li Xia (*Executive Director*)

Lin Di (*Executive Director*)

Chen Yin (*Executive Director*)

Yip Tin Hung (*Executive Director*)

Zee Chan Mei Chu, Peggy (*Executive Director*)

Lam Tin Faat (*Independent Non-executive Director*)

Lu Haina (*Independent Non-executive Director*)

Fu Ping Man (*Independent Non-executive Director*)

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.hkjewelry.net.