



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

**FIRST QUARTERLY RESULTS FOR THE
THREE MONTHS ENDED 31 MARCH 2013**

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2013

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 three months ended 31 March 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2013

		For the three months ended 31 March	
	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	2	52,432	57,441
Other income		223	732
Change in inventories		73,477	7,972
Purchase of goods		(84,894)	(20,564)
Professional fee		(3,985)	(5,333)
Employee benefits expense		(33,545)	(33,355)
Depreciation and amortization		(1,348)	(1,218)
Other expenses		(6,663)	(5,433)
Finance costs	3	<u>(71)</u>	<u>(73)</u>
(Loss)/Profit before income tax		(4,374)	169
Income tax expense	4	<u>(2)</u>	<u>(28)</u>
(Loss)/Profit for the period		<u>(4,376)</u>	<u>141</u>
Other comprehensive (loss)/income for the period, net of tax			
Exchange gain on translation of financial statements of foreign operations		<u>—</u>	<u>—</u>
Total comprehensive (loss)/income for the period		<u><u>(4,376)</u></u>	<u><u>141</u></u>

		For the three months ended 31 March	
		2013	2012
	<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to:			
Owners of the Company		(3,085)	102
Non-controlling interests		(1,291)	39
		<u>(4,376)</u>	<u>141</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(3,085)	102
Non-controlling interests		(1,291)	39
		<u>(4,376)</u>	<u>141</u>
(Loss)/Earnings per share for the (loss)/profit attributable to the owners of the Company during the period			
– Basic and diluted (in HK cents)	5	<u>(0.30) cents</u>	<u>0.01 cents</u>

Notes:

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”). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2012.

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.

2. REVENUE AND TURNOVER

Revenue from external customers from the Group’s principal activities recognised during the period is as follows:

	For the three months ended 31 March	
	2013	2012
	HK\$’000	HK\$’000
Sales of jewellery	8,758	–
Enterprise software products	29,489	30,068
Systems integration	4,139	13,102
Professional services	9,149	13,336
ASP services	897	935
	<hr/>	<hr/>
Total revenue	<u>52,432</u>	<u>57,441</u>

3. FINANCE COSTS

	For the three months ended 31 March	
	2013	2012
	HK\$’000	HK\$’000
Interest charges on:		
Other interest expense	71	73
	<hr/>	<hr/>
	<u>71</u>	<u>73</u>

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods or their estimated assessable profits for the respective periods were wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the respective periods at the rates prevailing in the countries in which the Group operates.

	For the three months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Current tax		
– Overseas		
Tax for the period	2	28
Total income tax expense	2	28

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share for the three months ended 31 March 2013 is based on the loss attributable to owners of the Company of HK\$3,085,000 (2012: profit of HK\$102,000) and the weighted average number of ordinary shares of 1,015,050,000 (2012: 1,015,050,000) in issue during the period.

Diluted earnings per share for the three months ended 31 March 2013 and 2012 equates the basic earnings per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the periods ended 31 March 2013 and 2012 were as follows:–

	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	179,556	5,612	(179,569)	5,599
Profit for the period	–	–	102	102
At 31 March 2012	<u>179,556</u>	<u>5,612</u>	<u>(179,467)</u>	<u>5,701</u>
At 1 January 2013	179,556	6,013	(145,411)	40,158
Loss for the period	–	–	(3,085)	(3,085)
At 31 March 2013	<u>179,556</u>	<u>6,013</u>	<u>(148,496)</u>	<u>37,073</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

BUSINESS REVIEW

The Group's loss attributable to owners of the Company for the three months ended 31 March 2013 was HK\$3,085,000, comparing with a profit of HK\$102,000 in the same period of 2012.

During the period ended 31 March 2013, the Group recorded a turnover of HK\$52,432,000, representing a decrease of 9% compared with a turnover of HK\$57,441,000 in the same period of last year.

The sales of jewellery in our new business unit contributed turnover of HK\$8,758,000 during the period ended 31 March 2013. On the IT business side, sales of enterprise software products slightly decreased by 2% to HK\$29,489,000 (2012: HK\$30,068,000). Systems integration business and professional services business dropped by 68% and 31% to HK\$4,139,000 (2012: HK\$13,102,000) and HK\$9,149,000 (2012: HK\$13,336,000) respectively. ASP business remained stable with revenue of HK\$897,000 (2012: HK\$935,000).

FUTURE PROSPECTS

2013 will be a year for our jewellery business to achieve a great-leapforward development. As the Company has just entered the jewellery industry and a large amount of preparation work was pending to be carried out, no remarkable result was achieved in the first quarter. However, it is believed that starting from the second quarter, the Company will aggressively extend its presence to the wholesale and retail segments of jewellery products, and strive to garner more profits by opening a number of stores in Eastern China, Northern China, Northeastern China and Southern China, so as to get well prepared for the Company's further expansion of its jewellery business in mainland China.

On the IT business side, we had the usual slow start in the first quarter of the year, which is affected by the Chinese New Year holidays. We might see a drop in the low-margin systems integration business this year, but we are expecting a stable stream of income from our enterprise software and professional service business. Efforts are being made to expand our sales channel in China, and the Management is also maintaining a tight control on its manpower resources.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARE, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 March 2013, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

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

Name of director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation		
Li Xia	–	–	571,820,133 (Note)	571,820,133	56.33%

Note: These shares were held by Sino Eminent Limited, a company incorporated in the British Virgin Islands which is held as to 53% by Ms. Li Xia through Ocean Expert Investments Limited, a company incorporated in the British Virgin Islands.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2013.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sino Eminent Limited (<i>Note 1</i>)	571,820,133	56.33%
Li Xia (<i>Note 1</i>)	571,820,133	56.33%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.11%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.11%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	14.11%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.11%
Li Ka-shing (<i>Note 2</i>)	143,233,151	14.11%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	7.09%
iBusiness Corporation Limited (<i>Note 2</i>)	67,264,000	6.62%

Notes:

- (1) Sino Eminent Limited is held as to 53% by Ms. Li Xia through Ocean Expert Investments Limited, 27% by Mr. Lin Di through Confluence Holdings Limited and 20% by Mr. Chen Yin through Flourish Zone Limited. Accordingly, Ms. Li Xia is deemed to be interested in the 571,820,133 shares interested by Sino Eminent Limited. Each of Ocean Expert Investments Limited, Confluence Holdings Limited and Flourish Zone Limited is a limited liability company incorporated in the British Virgin Islands.
- (2) 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 above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 31 March 2013.

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 audit committee is currently comprised three members – Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, all of whom are Independent Non-executive Directors. 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 unaudited consolidated results of the Group for the three months ended 31 March 2013 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

During the three months period under review, 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, 8 May 2013

The Board comprises of:

Li Xia (*Executive Director*)

Lin Di (*Executive Director*)

Chen Yin (*Executive Director*)

Yip Tin Hung (*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.