



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

**THIRD QUARTERLY RESULTS FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 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.

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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.

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2013

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2013 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	2	154,879	71,256	405,429	207,945
Other revenue		2,632	513	6,527	1,451
Change in inventories		27,290	83,032	101,065	108,429
Purchase of goods		(138,399)	(97,303)	(372,905)	(158,869)
Professional fee		(5,222)	(14,889)	(15,898)	(29,978)
Employee benefits expense		(37,032)	(29,651)	(105,564)	(94,938)
Depreciation and amortisation		(1,383)	(1,162)	(4,107)	(3,580)
Other expenses		(7,707)	(4,041)	(23,767)	(17,208)
Finance costs	3	–	(55)	(268)	(197)
(Loss)/Gain on disposal of property, plant and equipment		(705)	–	(707)	30,870
(Loss)/Profit before income tax		(5,647)	7,700	(10,195)	43,925
Income tax expense	4	8	(6)	(183)	(198)
(Loss)/Profit for the period		(5,639)	7,694	(10,378)	43,727
Other comprehensive income/(loss) for the period, net of tax					
Exchange gain/(loss) on translation of financial statements of foreign operations		2,346	(213)	1,414	(213)
Total comprehensive (loss)/ income for the period		(3,293)	7,481	(8,964)	43,514

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013

		(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period attributable to:					
Owners of the Company		(5,046)	7,617	(8,891)	43,347
Non-controlling interests		(593)	77	(1,487)	380
		<u>(5,639)</u>	<u>7,694</u>	<u>(10,378)</u>	<u>43,727</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(2,902)	7,404	(7,679)	43,134
Non-controlling interests		(391)	77	(1,285)	380
		<u>(3,293)</u>	<u>7,481</u>	<u>(8,964)</u>	<u>43,514</u>
(Loss)/Earnings per share for the (loss)/profit attributable to the owners of the Company during the period – Basic and diluted (HK cents)					
	5	<u>(0.42) cents</u>	<u>0.75 cents</u>	<u>(0.79) cents</u>	<u>4.27 cents</u>

Notes:

1. BASIS OF PRESENTATION

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:

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of jewellery	28,627	–	89,177	–
Enterprise software products	29,872	45,617	94,275	116,521
Systems integration	84,771	15,245	189,875	54,515
Professional services	10,721	9,565	29,438	34,329
ASP services	888	829	2,664	2,580
Total revenue	154,879	71,256	405,429	207,945

3. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Interest charges on:				
Other interest expense	–	55	268	197
	–	55	268	197

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.

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas current tax for the period	<u>(8)</u>	<u>6</u>	<u>183</u>	<u>198</u>

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share for the nine months ended 30 September 2013 is based on the loss attributable to owners of the Company of HK\$8,891,000 (2012: profit of HK\$43,347,000) and the weighted average number of 1,130,021,465 ordinary shares (2012: 1,015,050,000) in issue during the period.

Diluted (loss)/earnings per share for the nine months ended 30 September 2013 and 2012 equates the basic (loss)/earnings per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the period ended 30 September 2013 and 2012 were as follows:–

	Share Premium <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	179,556	6,013	(145,411)	40,158
Issue of share capital	41,618	–	–	41,618
Share issuance expenses	(736)	–	–	(736)
Transaction with owners	40,882	–	–	40,882
Loss for the period	–	–	(8,891)	(8,891)
Other comprehensive income				
Exchange gain on translation of financial statements of foreign operations	–	1,212	–	1,212
Total comprehensive loss for the period	–	1,212	(8,891)	(7,679)
At 30 September 2013	<u>220,438</u>	<u>7,225</u>	<u>(154,302)</u>	<u>73,361</u>
At 1 January 2012	179,556	5,612	(179,569)	5,599
Profit for the period	–	–	43,347	43,347
Other comprehensive income				
Exchange loss on translation of financial statement of foreign operations	–	(213)	–	(213)
Total comprehensive income for the period	–	(213)	43,347	43,134
At 30 September 2012	<u>179,556</u>	<u>5,399</u>	<u>(136,222)</u>	<u>48,733</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2013 (2012: Nil).


BUSINESS REVIEW

The Group recorded a significant loss attributable to owners of the Company of HK\$8,891,000 for the nine months ended 30 September 2013, comparing with a profit of HK\$43,347,000 in the same period of 2012. The loss was mainly attributable to the significant cost of promotion and development expenses in entering the jewellery business.

During the period ended 30 September 2013, the Group recorded a turnover of HK\$405,429,000, representing a significant increase of 95% compared with a turnover of HK\$207,945,000 in the same period of last year.

The sales of jewellery in our new business unit contributed turnover of HK\$89,177,000 during the period ended 30 September 2013. On the IT business side, sales of enterprise software products dropped by 19% to HK\$94,275,000 (2012: HK\$116,521,000). The Systems integration business significantly jumped by 248% to HK\$189,875,000 (2012: HK\$54,515,000). Professional services business decreased by 14% to HK\$29,438,000 (2012: HK\$34,329,000). ASP business remained stable with revenue of HK\$2,664,000 (2012: HK\$2,580,000).

FUTURE PROSPECTS

In 2013, the jewellery business of the Group made smooth development. We reached expected goals in terms of number of franchised stores under the brand  H.K. JEWELRY and regional distribution of market presence in China as at 30 September 2013. However, the Group recorded significant loss for the nine months ended 30 September 2013. Such loss was mainly attributable to the significant costs of promotion and development expenses incurred by the Group for its ambitious expansion in the jewellery business. In view of the current development momentum of the Company, we are confident that the Company will make a turnaround from the loss-making position next year.

In the IT business, we had a surge in our systems integration income due to a few high value contracts on hardware products, however, their low-margin commodity nature does not contribute much to our bottomline. At the same time, the slowing of the China economy was reflected in the decreased turnover in our other IT business segments. The Management is pushing to diversify our IT product and service portfolio so that we will be less affected if some of the industries are hitting a slowdown.

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

At 30 September 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	–	–	422,909,967 <i>(Note 1)</i>	422,909,967	35.58%
Lin Di	–	–	148,910,166 <i>(Note 2)</i>	148,910,166	12.53%

Notes:

- (1) These shares were held by Sino Eminent Limited, a company incorporated in the British Virgin Islands which is held as to 72.60% by Ms. Li Xia through Ocean Expert Investments Limited, a company incorporated in the British Virgin Islands.
- (2) These shares were held by Confluence Holdings Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Lin Di.

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 30 September 2013.

SUBSTANTIAL SHAREHOLDERS

At 30 September 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>)	422,909,967	35.58%
Ocean Expert Investments Limited (<i>Note 1</i>)	422,909,967	35.58%
Li Xia (<i>Note 1</i>)	422,909,967	35.58%
Confluence Holdings Limited (<i>Note 1</i>)	148,910,166	12.53%
Lin Di (<i>Note 1</i>)	148,910,166	12.53%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	12.05%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	12.05%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	12.05%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	12.05%
Li Ka-shing (<i>Note 2</i>)	143,233,151	12.05%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	6.06%
iBusiness Corporation Limited (<i>Note 2</i>)	67,264,000	5.66%

Notes:

- (1) These shares have been disclosed as directors' interests held by controlled corporation in the paragraph headed "Directors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company".
- (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 30 September 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 nine months ended 30 September 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 nine 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, 11 November 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