

 **香港珠寶**
H.K. JEWELRY CO.
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 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.

HIGHLIGHTS

- During the year ended 31 December 2013, the Group's loss attributable to the owners of the Company was HK\$14,091,000, as compared with a profit of HK\$34,158,000 in the same period of 2012. The loss in 2013 was mainly attributable to the significant increase in promotion and development expenses incurred by the Group for its ambitious expansion in the jewellery business. The profit recorded in 2012 was mainly due to the gain on disposal of properties of HK\$30,870,000.
- The Group recorded a turnover of HK\$579,380,000 in 2013, representing an increase by 65% compared with a turnover of HK\$350,880,000 in 2012.
- The sale of gold and jewellery products and franchise income contributed turnover of HK\$140,135,000 during the year. The sales of enterprise software products dropped by 16% to HK\$131,155,000 (2012: HK\$155,218,000). Revenue on systems integration business significantly increased by 81% to HK\$263,364,000 (2012: HK\$145,676,000) and revenue on professional services business decreased by 8% to HK\$41,155,000 (2012: HK\$44,770,000). The Application Service Provider ("ASP") business increased by 4% to HK\$3,571,000 (2012: HK\$3,441,000).
- Loss per share for loss attributable to the owners of the Company during the year of 2013 was HK1.23 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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	3	579,380	350,880
Other income	4	5,016	34,163
Change in inventories		67,168	47,344
Purchase of goods		(451,230)	(184,645)
Professional fee		(21,869)	(41,556)
Employee benefits expense		(148,293)	(135,197)
Depreciation and amortisation		(5,599)	(4,773)
Other expenses		(38,556)	(29,459)
Finance costs	5	(740)	(295)
(Loss)/Profit before income tax	6	(14,723)	36,462
Income tax expense	7	(1,447)	(1,361)
(Loss)/Profit for the year		(16,170)	35,101
Other comprehensive income for the year, including reclassification adjustments and net of tax*			
Items that will be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		2,464	487
Reclassification adjustments for the cumulative gain transferred to profit or loss:			
– release of exchange translation reserve upon deregistration of a subsidiary		(553)	–
Change in fair value of available-for-sale financial assets		–	(123)
Impairment loss on available-for-sale financial assets transferred to profit or loss		–	123
Other comprehensive income for the year		1,911	487
Total comprehensive (loss)/income for the year		(14,259)	35,588

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
Owners of the Company		(14,091)	34,158
Non-controlling interests		(2,079)	943
		<u>(16,170)</u>	<u>35,101</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(12,429)	34,559
Non-controlling interests		(1,830)	1,029
		<u>(14,259)</u>	<u>35,588</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the year			
– Basic and diluted	8	<u>(1.23)</u>	<u>3.37</u>

* There is no tax effect on the component of other comprehensive income for the years ended 2013 and 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		14,453	10,000
Available-for-sale financial assets		–	2,543
Goodwill		–	–
Development costs	<i>11</i>	810	2,633
Deferred tax assets		1,317	2,078
		<hr/> 16,580	<hr/> 17,254
Current assets			
Inventories	<i>12</i>	115,165	47,997
Finance lease receivables		–	187
Amounts due from customers for contract work		41,394	53,120
Trade receivables	<i>13</i>	35,890	138,608
Other receivables, deposits and prepayments		51,026	41,158
Financial assets at fair value through profit or loss		26,602	5,151
Bank balances and cash		71,355	87,763
		<hr/> 341,432	<hr/> 373,984
Current liabilities			
Trade payables	<i>14</i>	50,429	73,127
Other payables and accrued charges		46,964	40,476
Borrowings	<i>15</i>	55,943	111,374
Amounts due to customers for contract work		9,363	12,264
Amounts due to directors		2,540	1,648
Tax payables		506	391
		<hr/> 165,745	<hr/> 239,280
Net current assets		<hr/> 175,687	<hr/> 134,704
Total assets less current liabilities		<hr/> 192,267	<hr/> 151,958
Net assets		<hr/> 192,267	<hr/> 151,958

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
EQUITY		
Share capital	118,846	101,505
Reserves	68,611	40,158
	<hr/>	<hr/>
Equity attributable to owners of the Company	187,457	141,663
Non-controlling interests	4,810	10,295
	<hr/>	<hr/>
Total equity	192,267	151,958
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	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 2012	101,505	179,556	-	5,612	(179,569)	107,104	9,266	116,370
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	-	-	-	401	34,158	34,559	1,029	35,588
Balance at 31 December 2012 and 1 January 2013	101,505	179,556	-	6,013	(145,411)	141,663	10,295	151,958
Issue of shares upon placement, net of issuing costs	17,341	40,882	-	-	-	58,223	-	58,223
Deregistration of a subsidiary	-	-	-	-	-	-	(3,655)	(3,655)
Transactions with owners	17,341	40,882	-	-	-	58,223	(3,655)	54,568
Loss for the year	-	-	-	-	(14,091)	(14,091)	(2,079)	(16,170)
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	-	-	-	2,215	-	2,215	249	2,464
Reclassification adjustments for the cumulative gain transferred to profit or loss:								
- release of exchange translation reserve upon deregistration of a subsidiary	-	-	-	(553)	-	(553)	-	(553)
Total comprehensive loss for the year	-	-	-	1,662	(14,091)	(12,429)	(1,830)	(14,259)
Balance at 31 December 2013	118,846	220,438	-	7,675	(159,502)	187,457	4,810	192,267

* These reserves accounts comprise the Group's reserves of HK\$68,611,000 (2012: HK\$40,158,000) 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 2013. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- HKFRS 10 Consolidated Financial Statements
- HKFRS 12 Disclosure of Interests in Other Entities
- HKFRS 13 Fair Value Measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities

Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly.

In addition, the Group has chosen to use the new title “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

The improvements to HKFRSs 2009-2011 Cycle does not have any material impact on these financial statements for the year.

Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods 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.

Information on these new pronouncements that are expected to be relevant to the Group's financial statements is provided below.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9 Financial instruments	1 January 2015

3 REVENUE AND TURNOVER

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sale of gold and jewellery products	139,877	1,380
Franchise income	258	395
Enterprise software products	131,155	155,218
Systems integration	263,364	145,676
Professional services	41,155	44,770
ASP services	3,571	3,441
Total revenue	579,380	350,880

4 OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other revenue		
Interest income	936	958
Dividend income from listed equity securities	850	122
Consultancy and management fee income	2,077	425
Others	1,144	640
	5,007	2,145

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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 financial assets at fair value through profit or loss	–	142
Reversal of provision for impairment of trade receivables	9	–
	<u>9</u>	<u>32,018</u>
	<u>5,016</u>	<u>34,163</u>
 5 FINANCE COSTS		
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest charges on:		
Other interest expense, wholly repayable within five years	740	295
	<u>740</u>	<u>295</u>
 6 (LOSS)/PROFIT BEFORE INCOME TAX		
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories sold	384,062	137,301
Cost of services rendered	134,941	150,431
Depreciation	3,776	2,677
Amortisation of development costs	1,823	2,096
Auditors' remuneration	1,210	1,518
Net gain on disposal of property, plant and equipment	–	(30,870)
Impairment loss on goodwill	–	1,140
Impairment loss on available-for-sale financial assets	2,543	4,023
Written down of inventories	1,623	–
Net loss on disposal/Written off of property, plant and equipment	1,213	–
Provision for impairment of trade receivables	–	13
Fair value loss/(gain) on financial assets at fair value through profit or loss	1,389	(1,006)
Gain on disposal of financial assets at fair value through profit or loss	–	(142)
Reversal of provision for impairment of trade receivables	(9)	–
Net exchange loss	412	74
Operating lease charges on land and buildings	10,016	6,554
	<u>10,016</u>	<u>6,554</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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax		
– Hong Kong		
Current year	99	–
– Overseas		
Current year	548	1,539
	647	1,539
Deferred tax		
Current year	800	(178)
Total income tax expense	1,447	1,361

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(Loss)/Profit before income tax	<u>(14,723)</u>	<u>36,462</u>
Tax at the Hong Kong profits tax rate of 16.5% (2012: 16.5%)	(2,429)	6,016
Tax effect of non-taxable revenue	(170)	(5,153)
Tax effect of non-deductible expenses	1,295	3,690
Tax effect of unrecognised temporary differences	(92)	22
Tax effect of unrecognised tax losses	4,708	1,141
Utilisation of previously unrecognised tax losses	(722)	(4,248)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,045)	(246)
Others	(98)	139
Income tax expense	<u>1,447</u>	<u>1,361</u>

8 (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$14,091,000 (2012: profit of HK\$34,158,000) and the weighted average number of ordinary shares of approximately 1,144,751,000 (2012: 1,015,050,000) in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2013 and 2012 equate the basic (loss)/earnings per share as there is no potential dilutive 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 two product and service lines. The Group has identified Jewellery Products and IT Products and Services as the reportable segments. Each of these operating segments is managed separately as each of the product and service lines 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.

	2013		
	Jewellery Products HK\$'000	IT Products and Services HK\$'000	Total HK\$'000
Revenue			
– From external customers	<u>140,135</u>	<u>439,245</u>	<u>579,380</u>
Reportable segment revenue	<u>140,135</u>	<u>439,245</u>	<u>579,380</u>
Reportable segment (loss)/profit before income tax	(16,132)	1,409	(14,723)
Interest income	11	925	936
Depreciation and amortisation of non-financial assets	(1,326)	(4,273)	(5,599)
Net loss on disposal/Written off of property, plant and equipment	(1,210)	(3)	(1,213)
Fair value loss on financial assets at fair value through profit or loss	–	(1,389)	(1,389)
Reversal of provision for impairment of trade receivables	–	9	9
Impairment loss on available-for-sale financial assets	–	(2,543)	(2,543)
Written down of inventories	(1,623)	–	(1,623)
Finance costs	–	(740)	(740)
Reportable segment assets	<u>317,101</u>	<u>265,714</u>	<u>582,815</u>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>8,318</u>	<u>904</u>	<u>9,222</u>
Reportable segment liabilities	<u>12,753</u>	<u>377,795</u>	<u>390,548</u>

	2012		
	Jewellery Products <i>HK\$'000</i>	IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
– From external customers	1,775	349,105	350,880
Reportable segment revenue	1,775	349,105	350,880
Reportable segment (loss)/profit before income tax	(6,118)	42,580	36,462
Interest income	–	958	958
Depreciation and amortisation of non-financial assets	(27)	(4,746)	(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	268,892	347,291	616,183
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	2,702	1,280	3,982
Reportable segment liabilities	8,840	455,385	464,225

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Reportable segment assets	582,815	616,183
Elimination of inter-segment receivables	(224,803)	(224,945)
Group assets	358,012	391,238
Reportable segment liabilities	390,548	464,225
Elimination of inter-segment payables	(224,803)	(224,945)
Group liabilities	165,745	239,280

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

Place of domicile

	Revenue from external customers		Non-current assets	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	138,297	136,878	1,464	3,578
PRC and Taiwan	431,052	205,406	13,688	8,990
South East Asia	10,031	8,596	111	65
	<u>579,380</u>	<u>350,880</u>	<u>15,263</u>	<u>12,633</u>

During 2013, HK\$156,994,000 or 27.10% of the Group's revenue depended on a single customer in the PRC and Taiwan segment (2012: HK\$155,218,000 or 44.46% of the Group's revenue depended on a single customer in the PRC and Taiwan segment). At the end of the reporting period, 0.11% of the Group's trade receivables was due from this customer (2012: 72.88%).

The Group has amended the format of management information provided to the chief operating decision-maker for the purpose of assessing the performance of the operating segments due to the set up of subsidiaries that are engaged in the provision of design and sale of gold and jewellery products in late 2012, where such subsidiaries has an insignificant impact to the Group's financial statements for the year ended 31 December 2012. As a result, the basis of segmentation has been changed from geographical segment reporting in the prior period to product and service segment reporting in the current period.

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 2013 (2012: HK\$Nil).

11 DEVELOPMENT COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 January		
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>
Year ended 31 December		
Opening net book amount	2,633	4,737
Amortisation charge	(1,823)	(2,096)
Exchange differences	<u>-</u>	<u>(8)</u>
Closing net book amount	<u><u>810</u></u>	<u><u>2,633</u></u>
At 31 December		
Cost	37,376	37,376
Accumulated amortisation	<u>(36,566)</u>	<u>(34,743)</u>
Net book amount	<u><u>810</u></u>	<u><u>2,633</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 profit or loss and other comprehensive income.

12 INVENTORIES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Jewellery Products		
Raw materials	1,147	13,918
Work in progress	1,288	11,454
Finished goods	<u>48,494</u>	<u>-</u>
	<u>50,929</u>	25,372
IT Products and Services		
Finished goods	<u>64,236</u>	<u>22,625</u>
Total	<u><u>115,165</u></u>	<u><u>47,997</u></u>

Written down of inventories amounted to approximately HK\$1,623,000 (2012: HK\$Nil) was provided for the year ended 31 December 2013.

13 TRADE RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables		
From third parties	34,884	134,997
From a related party	1,197	3,808
	36,081	138,805
Less: provision for impairment of receivables	(191)	(197)
	35,890	138,608

Trade receivables from third parties for IT products and services 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 Group's sale of gold and jewellery products comprised mainly cash sales and credit card sales to retail customers and credit sales to franchisees with 0 – 60 days credit terms.

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	30,406	110,304
31 – 60 days	2,565	16,132
61 – 90 days	1,764	1,627
Over 90 days	1,155	10,545
	35,890	138,608

At the end of the reporting period, 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Balance at the beginning of the year	197	284
Impairment loss recognised	–	13
Amount written off during the year	–	(101)
Reversal of provision for impairment losses	(9)	–
Exchange differences	3	1
	<u>191</u>	<u>197</u>
Balance at the end of the year	<u><u>191</u></u>	<u><u>197</u></u>

14 TRADE PAYABLES

The Group was granted by its third parties suppliers credit periods ranging from 30 – 60 days. Trade payable from a related party is repayable on demand. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	20,293	16,112
31 – 60 days	5,615	10,766
61 – 90 days	–	11,346
Over 90 days	24,521	34,903
	<u>50,429</u>	<u>73,127</u>
	<u><u>50,429</u></u>	<u><u>73,127</u></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

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other borrowings			
– A third party	<i>(a)</i>	3,619	–
– A related party	<i>(b)</i>	52,324	111,374
		<u>55,943</u>	<u>111,374</u>
		<u><u>55,943</u></u>	<u><u>111,374</u></u>

(a) The loan borrowed from a third party is unsecured, interest bearing at 12% per annum and repayable within 1 year from the end of the reporting period.

(b) The loan borrowed from a related party is unsecured, interest-free and repayable within twelve months from the end of the reporting period. The related party is a company which is controlled by a non-controlling shareholder of a subsidiary of the Group.

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

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the year of 2013, the Group's loss attributable to the owners of the Company was HK\$14,091,000, as compared with a profit of HK\$34,158,000 in the same period of 2012. The loss in 2013 was mainly attributable to the significant increase in promotion and development expenses incurred by the Group for its ambitious expansion in the jewellery business. The profit recorded in 2012 was mainly due to the gain on disposal of properties of HK\$30,870,000.


During the year ended 31 December 2013, the Group recorded a turnover of HK\$579,380,000, representing an increase by 65% compared with a turnover of HK\$350,880,000 in 2012.

The sale of gold and jewellery products and franchise income contributed turnover of HK\$140,135,000 during the year. The sales of enterprise software products dropped by 16% to HK\$131,155,000 (2012: HK\$155,218,000). Revenue on systems integration business significantly increased by 81% to HK\$263,364,000 (2012: HK\$145,676,000) and revenue on professional services business decreased by 8% to HK\$41,155,000 (2012: HK\$44,770,000). The ASP business increased by 4% to HK\$3,571,000 (2012: HK\$3,441,000).

OPERATION REVIEW

In 2013, the Group achieved rapid expansion in its jewellery business.

The Group made efforts to upgrade the image of 金香港珠寶(深圳)有限公司, a China operation centre based in Shenzhen, and expanded its brand showroom. As at 31 December 2013, it successfully opened nearly 60 exclusive stores under the brand  H.K. JEWELRY in domestic first-tier and second-tier cities including Shenzhen, Beijing, Hangzhou, Suzhou, Wuxi, Harbin, Tianjin and Hefei, smoothly fulfilling its development plan.  H.K. JEWELRY soon became a popular brand highly recognised by high-end malls and consumers in Mainland China.

On product portfolio,  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.

On our IT Products and Services business, the sales of enterprise software products and professional services decreased slightly due to the slow economy growth in Mainland China. Coupled with the rapidly rising costs of running business in Mainland China, particular in the area of salary and benefit costs, we saw a major hit on our profit margin in these areas. Despite we had a higher sales volume in our systems integration business, the very thin margin of hardware trading could not compensate the loss of profit in these other areas.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group was in a strong financial position with bank balances and cash of HK\$71,355,000 (2012: HK\$87,763,000).

As at 31 December 2013, the Group invested in the equity securities listed in Hong Kong of HK\$26,602,000 at fair value (2012: HK\$5,151,000).

As at 31 December 2013, the value of the unlisted private equity fund which the Group held was zero (2012: US\$326,000) because the unlisted private equity fund was put into liquidation in late 2013, the impairment loss of HK\$2,543,000 (2012: HK\$123,000) was provided during the year.

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 2013, the Group's strategy remains unchanged from 2012, 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 2013 was zero (2012: 16%).

CAPITAL STRUCTURE

On 18 March 2013, the company entered into a placing agreement with the placing agent in respect of the placing of up to a maximum of 203,000,000 new shares at a placing price of HK\$0.34 per share to raise additional general working capital for future business development. On 3 April 2013, the placing was completed and 173,410,000 new shares were placed by the placing agent to not less than six independent places at a placing price of HK\$0.34 per share resulting in raising proceeds, before expenses, of approximately HK\$58,959,000. The related transaction costs amounting to HK\$736,000 have been recorded in the share premium account. The net proceeds of this placing of approximately HK\$58,223,000 were used for the general working capital of the Group. The Group's outstanding issued shares were 1,188,460,000 shares after the placing of new shares of 173,410,000 as at 31 December 2013.

INVESTMENT

As at 31 December 2013 and 2012, there was no significant investment held by the Group.

SEGMENTAL PERFORMANCE

The Jewellery Products business's turnover was HK\$140,135,000 in 2013 (2012: HK\$1,775,000). The IT Products and Services business's turnover was HK\$439,245,000, increased by 26% compared with last year (2012: HK\$349,105,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the number of employees of the Group was 592 (2012: 525). 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

On the IT Products and Services business, 2014 would be even a more challenging year. The rapid development of so called “electronic finance” sends companies to race for launching of mobile finance applications and thus generating a huge demand on software professionals. This demand in turn jacks up the overall salary costs as companies are competing for talents with ever higher salary and better benefits. It would be difficult for us to grow our business, which depends mostly on availability of human resources, and to maintain our profit margin at the same time. Nevertheless, we will manage our costs very carefully while trying to expand our market coverage in Mainland China.

Along with the continuous growth of the Mainland China economy, the passion on jewellery will continue to grow, especially the gold-buy rush of the Mainland China visitors will continue. Capturing the favourable opportunity, the Group 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. At the same time, the Group will continue to advance its brand strategy to sharpen its competitiveness edge. On corporate management, the Group 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 Group 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. By virtue of our experience, passion and dedication, we seek to establish 60-70 new self-operated and franchised stores in 2014, 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 Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Company and for safeguarding the shareholders’ interests and the Company’s assets.

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. There is no deviation from the Code Provisions in the CG Code as at 31 December 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 Company's financial statements for the year ended 31 December 2013 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.

REMUNERATION COMMITTEE

The remuneration committee was established on 10 May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provisions B.1.2.

The remuneration committee is currently comprised of Mr. Lam Tin Faat and Mr. Fu Ping Man, both are Independent Non-executive Directors, and Ms. Li Xia who is Executive Director. Mr. Lam Tin Faat is the Chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee was established on 21 March 2012.

The Company adopted that a nomination committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provisions A.5.2.

The nomination committee is currently comprised of Mr. Lam Tin Faat and Mr. Fu Ping Man, both are Independent Non-executive Directors, and Ms. Li Xia who is Executive Director. Mr. Lam Tin Faat is the Chairman of the nomination committee.

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

During the year ended 31 December 2013, 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, 17 March 2014

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.