

 **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 2014**

**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

- For the year ended 31 December 2014, the Group's loss attributable to the owners of the Company amounted to HK\$27,019,000 (2013: HK\$14,091,000). It was mainly a result of the growth in staff cost and outsource costs of the IT Products and Services segment and the written off of leasehold improvements following an office relocation of the Jewellery segment.
- The Group's turnover for the year ended 31 December 2014 amounted to HK\$499,375,000 (2013: HK\$579,380,000).
- The sale of gold and jewellery products and franchise income contributed turnover of HK\$70,153,000 during the year (2013: HK\$140,135,000). The sales of enterprise software products dropped by 1% to HK\$129,538,000 (2013: HK\$131,155,000). Revenue on systems integration business decreased by 2% to HK\$259,211,000 (2013: HK\$263,364,000) and revenue on professional services business also decreased by 2% to HK\$40,473,000 (2013: HK\$41,155,000). Revenue on Application Service Provider ("ASP") business is zero (2013: HK\$3,571,000).
- Loss per share for loss attributable to the owners of the Company during the year of 2014 was HK2.27 cents.
- The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2014 (2013: HK\$Nil).

## 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 2014, together with the comparative figures for the corresponding period in 2013, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

|  | Note | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Revenue</b>   | 3    | <b>499,375</b>   | 579,380          |
| Other income   | 4    | <b>6,427</b>     | 5,016            |
| Change in inventories  |      | <b>(86,830)</b>  | 67,168           |
| Purchase of goods  |      | <b>(223,747)</b> | (451,230)        |
| Professional fee   |      | <b>(21,712)</b>  | (21,869)         |
| Employee benefits expense  |      | <b>(156,810)</b> | (148,293)        |
| Depreciation and amortisation  |      | <b>(4,776)</b>   | (5,599)          |
| Other expenses   |      | <b>(38,161)</b>  | (38,556)         |
| Finance costs  | 5    | <b>(377)</b>     | (740)            |
| <b>Loss before income tax</b>  | 6    | <b>(26,611)</b>  | (14,723)         |
| Income tax expense   | 7    | <b>(559)</b>     | (1,447)          |
| <b>Loss for the year</b>   |      | <b>(27,170)</b>  | (16,170)         |
| <b>Other comprehensive (expense)/income for the year,<br/>after tax and reclassification adjustments*</b>  |      |                  |                  |
| Items that will be reclassified subsequently to profit or loss:  |      |                  |                  |
| Exchange (loss)/gain on translation of<br>financial statements of foreign operations   |      | <b>(1,305)</b>   | 2,464            |
| Reclassification adjustments for the<br>cumulative gain transferred to profit or loss:<br>– release of exchange translation reserve upon<br>deregistration of a subsidiary |      | <b>–</b>         | (553)            |
| <b>Other comprehensive (expense)/income for the year</b>   |      | <b>(1,305)</b>   | 1,911            |
| <b>Total comprehensive expense for the year</b>  |      | <b>(28,475)</b>  | (14,259)         |
| <b>Loss for the year attributable to:</b>  |      |                  |                  |
| Owners of the Company  |      | <b>(27,019)</b>  | (14,091)         |
| Non-controlling interests  |      | <b>(151)</b>     | (2,079)          |
|  |      | <b>(27,170)</b>  | (16,170)         |

|   | <i>Note</i> | <b>2014</b><br><b>HK\$'000</b> | 2013<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Total comprehensive expense attributable to:</b> |             |                                |                         |
| Owners of the Company                               |             | <b>(28,276)</b>                | (12,429)                |
| Non-controlling interests                           |             | <b>(199)</b>                   | (1,830)                 |
|   |             | <u><b>(28,475)</b></u>         | <u>(14,259)</u>         |
|   |             | <b>HK cents</b>                | <i>HK cents</i>         |

**Loss per share for loss attributable to owners of  
the Company during the year**

|                     |   |                      |               |
|---------------------|---|----------------------|---------------|
| – Basic and diluted | 8 | <u><b>(2.27)</b></u> | <u>(1.23)</u> |
|---------------------|---|----------------------|---------------|

\* There is no tax effect on the component of other comprehensive income for the years ended 2014 and 2013.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

|   | <i>Note</i> | <b>2014</b><br><b>HK\$'000</b> | 2013<br>HK\$'000 |
|---|-------------|--------------------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>                         |             |                                |                  |
| <b>Non-current assets</b>                             |             |                                |                  |
| Property, plant and equipment                         |             | <b>10,795</b>                  | 14,453           |
| Available-for-sale financial assets                   |             | –                              | –                |
| Goodwill  |             | –                              | –                |
| Development costs                                     | <i>11</i>   | –                              | 810              |
| Deferred tax assets                                   |             | <b>1,307</b>                   | 1,317            |
|   |             | <hr/> <b>12,102</b>            | <hr/> 16,580     |
| <b>Current assets</b>                                 |             |                                |                  |
| Inventories   | <i>12</i>   | <b>28,335</b>                  | 115,165          |
| Amounts due from customers for contract work          |             | <b>44,440</b>                  | 41,394           |
| Trade receivables                                     | <i>13</i>   | <b>49,594</b>                  | 35,890           |
| Other receivables, deposits and prepayments           |             | <b>26,586</b>                  | 51,026           |
| Financial assets at fair value through profit or loss |             | <b>26,945</b>                  | 26,602           |
| Bank balances and cash                                |             | <b>86,872</b>                  | 71,355           |
|   |             | <hr/> <b>262,772</b>           | <hr/> 341,432    |
| <b>Current liabilities</b>                            |             |                                |                  |
| Trade payables  | <i>14</i>   | <b>32,536</b>                  | 50,429           |
| Other payables and accrued charges                    |             | <b>58,117</b>                  | 46,964           |
| Borrowings  | <i>15</i>   | <b>3,964</b>                   | 55,943           |
| Amounts due to customers for contract work            |             | <b>10,165</b>                  | 9,363            |
| Amounts due to directors                              |             | <b>5,355</b>                   | 2,540            |
| Tax payables  |             | <b>945</b>                     | 506              |
|   |             | <hr/> <b>111,082</b>           | <hr/> 165,745    |
| <b>Net current assets</b>                             |             | <hr/> <b>151,690</b>           | <hr/> 175,687    |
| <b>Total assets less current liabilities</b>          |             | <hr/> <b>163,792</b>           | <hr/> 192,267    |
| <b>Net assets</b>                                     |             | <hr/> <b>163,792</b>           | <hr/> 192,267    |

|   | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <b>EQUITY</b>                                       |                                |                         |
| Share capital                                       | <b>118,846</b>                 | 118,846                 |
| Reserves  | <b>40,335</b>                  | 68,611                  |
|   | <hr/>                          | <hr/>                   |
| <b>Equity attributable to owners of the Company</b> | <b>159,181</b>                 | 187,457                 |
| <b>Non-controlling interests</b>                    | <b>4,611</b>                   | 4,810                   |
|   | <hr/>                          | <hr/>                   |
| <b>Total equity</b>                                 | <b>163,792</b>                 | 192,267                 |
|   | <hr/> <hr/>                    | <hr/> <hr/>             |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

|   | Equity attributable to owners of the Company |                               |                                  |                                    |                       | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|---|--|-------------------------------|----------------------------------|------------------------------------|-----------------------|--|-----------------------------|
|   | Share<br>capital<br>HK\$'000                 | Share<br>premium*<br>HK\$'000 | Exchange<br>reserve*<br>HK\$'000 | Accumulated<br>losses*<br>HK\$'000 | Total<br>HK\$'000     |  |                             |
|   | <b>Balance at 1 January 2013</b>             | 101,505                       | 179,556                          | 6,013                              | (145,411)             |  |                             |
| Issue of shares upon placement, net of<br>issuing costs                                   | 17,341                                       | 40,882                        | -                                | -                                  | 58,223                | -  | 58,223                      |
| Deregistration of a subsidiary  | -  | -                             | -                                | -                                  | -                     | (3,655)                                      | (3,655)                     |
| <b>Transactions with owners</b>   | <u>17,341</u>                                | <u>40,882</u>                 | <u>-</u>                         | <u>-</u>                           | <u>58,223</u>         | <u>(3,655)</u>                               | <u>54,568</u>               |
| Loss for the year   | -  | -                             | -                                | (14,091)                           | (14,091)              | (2,079)                                      | (16,170)                    |
| Other comprehensive income  |  |                               |                                  |                                    |                       |  |                             |
| Exchange gain on translation of<br>financial statements of foreign operations             | -  | -                             | 2,215                            | -                                  | 2,215                 | 249  | 2,464                       |
| Reclassification adjustments for<br>the cumulative gain transferred to<br>profit or loss: |  |                               |                                  |                                    |                       |  |                             |
| - release of exchange translation reserve<br>upon deregistration of a subsidiary          | -  | -                             | (553)                            | -                                  | (553)                 | -  | (553)                       |
| <b>Total comprehensive expense for the year</b>   | <u>-</u>                                     | <u>-</u>                      | <u>1,662</u>                     | <u>(14,091)</u>                    | <u>(12,429)</u>       | <u>(1,830)</u>                               | <u>(14,259)</u>             |
| <b>Balance at 31 December 2013 and<br/>1 January 2014</b>                                 | <u>118,846</u>                               | <u>220,438</u>                | <u>7,675</u>                     | <u>(159,502)</u>                   | <u>187,457</u>        | <u>4,810</u>                                 | <u>192,267</u>              |
| Loss for the year   | -  | -                             | -                                | (27,019)                           | (27,019)              | (151)  | (27,170)                    |
| Other comprehensive income  |  |                               |                                  |                                    |                       |  |                             |
| Exchange loss on translation of<br>financial statements of foreign operations             | -  | -                             | (1,257)                          | -                                  | (1,257)               | (48)   | (1,305)                     |
| <b>Total comprehensive expense for the year</b>   | <u>-</u>                                     | <u>-</u>                      | <u>(1,257)</u>                   | <u>(27,019)</u>                    | <u>(28,276)</u>       | <u>(199)</u>                                 | <u>(28,475)</u>             |
| <b>Balance at 31 December 2014</b>  | <u><u>118,846</u></u>                        | <u><u>220,438</u></u>         | <u><u>6,418</u></u>              | <u><u>(186,521)</u></u>            | <u><u>159,181</u></u> | <u><u>4,611</u></u>                          | <u><u>163,792</u></u>       |

\* These reserves accounts comprise the Group's reserves of HK\$40,335,000 (2013: HK\$68,611,000) 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”). The financial statements also comply with the applicable disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period. The financial statements also comply with 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

#### **New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2014**

In the current year, the Group has applied for the first time the following 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 2014:

|   |   |
|---|---|
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 27(2011) | Investment Entities                                     |
| Amendments to HKAS 32                                 | Offsetting Financial Assets and Financial Liabilities   |
| Amendments to HKAS 36                                 | Recoverable Amount Disclosures for Non-Financial Assets |

Other than as noted below, 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.

### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011): Investment Entities***

The amendments include the definition of ‘investment entity’ and provide an exception to the consolidation requirements in HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments do not have an impact on the consolidated financial statements as the Company is not an investment entity.

### ***Amendments to HKAS 32: Offsetting Financial Assets and Financial Liabilities***

The amendments clarify the application of certain offsetting criteria in HKAS 32, including the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of HKAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

### ***Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets***

The amendments clarify the requirements to disclose the recoverable amount of an asset (or cash-generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset (or cash-generating unit) is based on fair value less costs of disposal. The amendments had no material effect on the consolidated financial statements for any period presented.

### **Issued but not yet effective HKFRSs**

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<br>accounting periods<br>beginning on or after |
|--|--|
| HKFRS 15 Revenue from Contracts with Customers | 1 January 2017   |
| HKFRS 9 (2014) Financial Instruments           | 1 January 2018   |

### 3 REVENUE AND TURNOVER

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

|                                      | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Sales of gold and jewellery products | 69,435                  | 139,877                 |
| Franchise income                     | 718                     | 258                     |
| Enterprise software products         | 129,538                 | 131,155                 |
| Systems integration                  | 259,211                 | 263,364                 |
| Professional services                | 40,473                  | 41,155                  |
| ASP services                         | –                       | 3,571                   |
|                                      | <hr/>                   | <hr/>                   |
| <b>Total revenue</b>                 | <b>499,375</b>          | <b>579,380</b>          |

### 4 OTHER INCOME

|   | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Other revenue</b>  |                         |                         |
| Interest income   | 1,478                   | 936                     |
| Dividend income from listed equity securities                               | 1,332                   | 850                     |
| Consultancy and management fee income                                       | 3,113                   | 2,077                   |
| Others  | 240                     | 1,144                   |
|   | <hr/>                   | <hr/>                   |
|   | <b>6,163</b>            | <b>5,007</b>            |
|   | <hr/>                   | <hr/>                   |
| <b>Other net income</b>   |                         |                         |
| Fair value gain on financial assets at fair value<br>through profit or loss | 260                     | –                       |
| Reversal of provision for impairment of trade receivables                   | 4                       | 9                       |
|   | <hr/>                   | <hr/>                   |
|   | <b>264</b>              | <b>9</b>                |
|   | <hr/>                   | <hr/>                   |
|   | <b>6,427</b>            | <b>5,016</b>            |

### 5 FINANCE COSTS

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest charges on:                                       |                         |                         |
| Other interest expense, wholly repayable within five years | 377                     | 740                     |
|  | <hr/>                   | <hr/>                   |

## 6 LOSS BEFORE INCOME TAX

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

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of inventories sold   | 310,577                 | 384,062                 |
| Cost of services rendered  | 142,155                 | 134,941                 |
| Depreciation   | 3,966                   | 3,776                   |
| Amortisation of development costs  | 810                     | 1,823                   |
| Auditors' remuneration   | 1,173                   | 1,210                   |
| Impairment loss on available-for-sale financial assets                             | –                       | 2,543                   |
| Written down of inventories  | –                       | 1,623                   |
| Net loss on disposal/written off of property, plant and equipment                  | 2,768                   | 1,213                   |
| Fair value (gain)/loss on financial assets at fair value<br>through profit or loss | (260)                   | 1,389                   |
| Reversal of provision for impairment of trade receivables                          | (4)                     | (9)                     |
| Net exchange loss  | 564                     | 412                     |
| Operating lease charges on land and buildings                                      | 10,719                  | 10,016                  |

## 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. Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a rate of 25% during the years ended 31 December 2014 and 2013. 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.

|                                 | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Current tax                     |                         |                         |
| – Hong Kong                     |                         |                         |
| Current year                    | –                       | 99                      |
| – Overseas                      |                         |                         |
| Current year                    | 559                     | 548                     |
|                                 | 559                     | 647                     |
| Deferred tax                    |                         |                         |
| Current year                    | –                       | 800                     |
| <b>Total income tax expense</b> | <b>559</b>              | <b>1,447</b>            |

## 8 LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of HK\$27,019,000 (2013: HK\$14,091,000) and the weighted average number of ordinary shares of approximately 1,188,460,000 (2013: 1,144,751,000) in issue during the year.

Diluted loss per share for the years ended 31 December 2014 and 2013 equate the basic loss 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.

|  | <b>2014</b>                                |  |                           |
|--|--|--|---------------------------|
|  | <b>Jewellery<br/>Products<br/>HK\$'000</b> | <b>IT Products<br/>and Services<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| Revenue  |  |  |                           |
| – From external customers  | <u>70,153</u>                              | <u>429,222</u>                                   | <u>499,375</u>            |
| <b>Reportable segment revenue</b>  | <b><u>70,153</u></b>                       | <b><u>429,222</u></b>                            | <b><u>499,375</u></b>     |
| <b>Reportable segment loss before income tax</b>   | <b>(14,079)</b>                            | <b>(12,532)</b>                                  | <b>(26,611)</b>           |
| Interest income  | 19   | 1,459  | 1,478                     |
| Depreciation and amortisation of non-financial assets  | (1,534)                                    | (3,242)  | (4,776)                   |
| Net loss on disposal/written off of property,<br>plant and equipment   | (2,768)                                    | –  | (2,768)                   |
| Fair value gain on financial assets at fair value<br>through profit or loss  | –  | 260  | 260                       |
| Reversal of provision for impairment of<br>trade receivables   | –  | 4  | 4                         |
| Finance costs  | <u>–</u>                                   | <u>(377)</u>                                     | <u>(377)</u>              |
| <b>Reportable segment assets</b>   | <b>305,019</b>                             | <b>194,809</b>                                   | <b>499,828</b>            |
| Additions to non-current segment assets<br>(other than financial instruments and<br>deferred tax assets) during the year | <u>1,301</u>                               | <u>1,917</u>                                     | <u>3,218</u>              |
| <b>Reportable segment liabilities</b>  | <b><u>15,377</u></b>                       | <b><u>320,659</u></b>                            | <b><u>336,036</u></b>     |

|  | Jewellery<br>Products<br><i>HK\$'000</i> | 2013<br>IT Products<br>and Services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--------------------------|
| Revenue  |  |  |                          |
| – From external customers  | 140,135                                  | 439,245  | 579,380                  |
| <b>Reportable segment revenue</b>  | <b>140,135</b>                           | <b>439,245</b>   | <b>579,380</b>           |
| <b>Reportable segment (loss)/<br/>profit before income tax</b>   | <b>(16,132)</b>                          | <b>1,409</b>   | <b>(14,723)</b>          |
| 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,<br>plant and equipment   | (1,210)                                  | (3)  | (1,213)                  |
| Fair value loss on financial assets at fair value<br>through profit or loss  | –  | (1,389)  | (1,389)                  |
| Reversal of provision for impairment of<br>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)                    |
| <b>Reportable segment assets</b>   | <b>317,101</b>                           | <b>265,714</b>   | <b>582,815</b>           |
| Additions to non-current segment assets<br>(other than financial instruments and<br>deferred tax assets) during the year | 8,318                                    | 904  | 9,222                    |
| <b>Reportable segment liabilities</b>  | <b>12,753</b>                            | <b>377,795</b>   | <b>390,548</b>           |

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

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Reportable segment assets                | 499,828                 | 582,815                 |
| Elimination of inter-segment receivables | (224,954)               | (224,803)               |
| <b>Group assets</b>                      | <b>274,874</b>          | <b>358,012</b>          |
| Reportable segment liabilities           | 336,036                 | 390,548                 |
| Elimination of inter-segment payables    | (224,954)               | (224,803)               |
| <b>Group liabilities</b>                 | <b>111,082</b>          | <b>165,745</b>          |

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 of customer/location of assets**

|                 | Revenue from<br>external customers |                  | Non-current assets |                  |
|-----------------|------------------------------------|------------------|--------------------|------------------|
|                 | 2014<br>HK\$'000                   | 2013<br>HK\$'000 | 2014<br>HK\$'000   | 2013<br>HK\$'000 |
| Hong Kong       | 120,230                            | 138,297          | 812                | 1,464            |
| PRC and Taiwan  | 368,124                            | 431,052          | 9,911              | 13,688           |
| South East Asia | 11,021                             | 10,031           | 72                 | 111              |
|                 | <u>499,375</u>                     | <u>579,380</u>   | <u>10,795</u>      | <u>15,263</u>    |

During 2014, HK\$221,099,000 or 44.28% of the Group's revenue depended on a single customer in the PRC and Taiwan segment (2013: HK\$156,994,000 or 27.10%). At the end of the reporting period, 16.97% of the Group's trade receivables was due from this customer (2013: 0.11%).

**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 2014 (2013: HK\$Nil).

**11 DEVELOPMENT COSTS**

|                               | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| <b>At 1 January</b>           |                  |                  |
| Cost                          | 37,376           | 37,376           |
| Accumulated amortisation      | (36,566)         | (34,743)         |
| Net book amount               | <u>810</u>       | <u>2,633</u>     |
| <b>Year ended 31 December</b> |                  |                  |
| Opening net book amount       | 810              | 2,633            |
| Amortisation charge           | (810)            | (1,823)          |
| Closing net book amount       | <u>-</u>         | <u>810</u>       |
| <b>At 31 December</b>         |                  |                  |
| Cost                          | 37,376           | 37,376           |
| Accumulated amortisation      | (37,376)         | (36,566)         |
| Net book amount               | <u>-</u>         | <u>810</u>       |

## 12 INVENTORIES

|                                 | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| <b>Jewellery Products</b>       |                         |                         |
| Raw materials                   | 1,664                   | 1,147                   |
| Work in progress                | 533                     | 1,288                   |
| Finished goods                  | <u>26,049</u>           | <u>48,494</u>           |
|                                 | 28,246                  | 50,929                  |
| <b>IT Products and Services</b> |                         |                         |
| Finished goods                  | <u>89</u>               | <u>64,236</u>           |
| <b>Total</b>                    | <u><u>28,335</u></u>    | <u><u>115,165</u></u>   |

Written down of inventories amounted to HK\$Nil (2013: HK\$1,623,000) was provided for the year ended 31 December 2014.

## 13 TRADE RECEIVABLES

|   | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Trade receivables</b>                      |                         |                         |
| From third parties                            | 47,171                  | 34,884                  |
| From a related party                          | <u>2,610</u>            | <u>1,197</u>            |
|   | 49,781                  | 36,081                  |
| Less: provision for impairment of receivables | <u>(187)</u>            | <u>(191)</u>            |
|   | <u><u>49,594</u></u>    | <u><u>35,890</u></u>    |

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 non-interest bearing, unsecured and 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 sales of gold and jewellery products comprised mainly cash sales and credit card sales to retail customers and credit sales to franchisees are due within 0 - 60 days from the date of billing. 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 (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of provision of impairment, was as follows:

|              | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days  | <b>35,130</b>                  | 30,406                  |
| 31 – 60 days | <b>7,983</b>                   | 2,565                   |
| 61 – 90 days | <b>564</b>                     | 1,764                   |
| Over 90 days | <b>5,917</b>                   | 1,155                   |
|              | <u><b>49,594</b></u>           | <u>35,890</u>           |

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:

|   | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Balance at the beginning of the year        | <b>191</b>                     | 197                     |
| Reversal of provision for impairment losses | <b>(4)</b>                     | (9)                     |
| Exchange differences                        | <b>–</b>                       | 3                       |
|   | <u><b>187</b></u>              | <u>191</u>              |

#### **14 TRADE PAYABLES**

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

|              | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days  | <b>1,381</b>                   | 20,293                  |
| 31 – 60 days | <b>200</b>                     | 5,615                   |
| 61 – 90 days | <b>–</b>                       | –                       |
| Over 90 days | <b>30,955</b>                  | 24,521                  |
|              | <u><b>32,536</b></u>           | <u>50,429</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>Note</i> | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|-------------------|-------------|--------------------------------|-------------------------|
| Other borrowings  |             |                                |                         |
| – A third party   | (a)         | <b>3,964</b>                   | 3,619                   |
| – A related party | (b)         | <u>–</u>                       | <u>52,324</u>           |
|                   |             | <b><u>3,964</u></b>            | <b><u>55,943</u></b>    |

(a) The loan borrowed from a third party is unsecured, interest bearing at 12% (2013: 12%) per annum and repayable within 1 year from the end of the reporting period.

(b) The loan borrowed from a related party was unsecured, interest-free and was fully repaid during the year ended 31 December 2014. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

For the year ended 31 December 2014, the Group's loss attributable to the owners of the Company amounted to HK\$ 27,019,000 (2013: HK\$14,091,000). It was mainly a result of the growth in staff cost and outsource costs of the IT Products and Services segment and the written off of leasehold improvements following an office relocation of the Jewellery segment.

The Group's turnover for the year ended 31 December 2014 amounted to HK\$499,375,000, (2013: HK\$579,380,000).

The sale of gold and jewellery products and franchise income contributed turnover of HK\$70,153,000 during the year (2013: HK\$140,135,000). The sales of enterprise software products dropped by 1% to HK\$129,538,000 (2013: HK\$131,155,000). Revenue on systems integration business decreased by 2% to HK\$259,211,000 (2013: HK\$263,364,000) and revenue on professional services business also decreased by 2% to HK\$40,473,000 (2013: HK\$41,155,000). Revenue on Application Service Provider ("ASP") business is zero (2013: HK\$3,571,000).

### OPERATION REVIEW

The year of 2014 was challenging for the jewellery retail industry. Being affected by the aftermath of global financial crisis, the global economy continued to stall, with gold price in the international markets remaining at a downward track. Slowdown in the PRC economy led to sluggish consumption, with high-end consumption particularly impacted and putting a drag on the domestic jewellery retail market.

Challenges to the market also represented an opportunity for the new entrants. In 2014, the Group continued to proactively explore and develop the franchise business of its jewellery retail sector. The establishment of 金香港珠寶(深圳)有限公司 ("Gold Hong Kong Jewellery"), a wholly-owned subsidiary of the Group based in the PRC, as our PRC operating centre further upgraded the image of H.K. JEWELRY and expanded its market influence. On product portfolio, H.K. JEWELRY still focused on gold, platinum, karat gold jewellery and diamond ornaments, and has also promoted other products group such as emerald, ruby and sapphire, pearl and other varieties to cater for the needs of various groups and levels of consumers in the domestic markets.

In the past year, Gold Hong Kong Jewellery continued to recruit new franchisees across the PRC and opened corporate stores in the prime districts of various major cities in order to enhance the brand of H.K. JEWELRY. The growth in franchised stores was in line with the global development plan of the Group. On market exploration strategy, we have expanded from first and second tier cities to all major provincial capital cities in the PRC, with an aim to expand our market coverage from selected cities to a country-wide network.

In order to strengthen business and management, Gold Hong Kong Jewellery encouraged the franchised stores to acquire their gold and jewellery products directly from the designated suppliers. Income became more reliant on the management fees and certification charges on the products sold by the franchised stores than the resale of gold and jewellery products to the franchised stores. Although the sales revenue decreased as compared with 2013, overall business was not adversely affected and liquidity was improved as a result of reduced investments in inventory and receivables.

On the IT Products and Services segment, 2014 was also a challenging year to the management. Although the overall revenue of the IT Products and Service business only decreased slightly as compared to the previous year, losses were recorded for the full year due to rising operating costs caused by the sharp increase in salaries and turnover of professional technicians both in Hong Kong and the PRC, and changes in the management team resulting from competition for professional technical talents with other peers which necessitated outsourcing arrangements to be made by the management.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2014, the Group remained in a strong financial position with bank balances and cash of HK\$86,872,000 (2013: HK\$71,355,000).

The Group monitored its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defined net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprised equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratio as at 31 December 2014 was zero, as the net debt was also zero. (2013: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2014, the Group's issued shares were 1,188,460,000 shares (2013: 1,188,460,000 shares).

## **INVESTMENT**

As at 31 December 2014, the Group invested in the equity securities listed in Hong Kong of HK\$26,945,000 measured at fair value (2013: HK\$26,602,000).

## **SEGMENTAL PERFORMANCE**

For the year end 31 December 2014, the turnover of the Jewellery Product segment and the IT Products and Services segments amounted to HK\$70,153,000 (2013: HK\$140,135,000) and HK\$429,222,000 (2013:HK\$439,245,000) respectively.


## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2014, the number of employees of the Group was 574 (2013: 592). Remuneration is determined by 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**

As the central government launched a number of measures to stabilize the economy, it is expected that the PRC economy will maintain a stable development in the coming year. After the market adjustment triggered by fluctuations in gold price, the jewellery market is likely to stabilize and may even pick up the growth trend. As a listed company focusing on the long-term development of the brand, the Group remains optimistic about the huge potential for consumption and opportunities in the jewellery market of the PRC.

The management continues to hold a cautiously optimistic view towards the IT Products and Services segment. As the IT industry comprises a large number of start-up companies engaged in mobile applications, social media platforms and online composition business, and with the emergence of e-finance and e-business in the domestic market, competition for professional IT talents will remain intense, and it remains a challenge for the management to effectively control operating costs in the foreseeable future.

Overall, the Group will continue to vigorously promote the development strategy of  H.K. JEWELRY. While strengthening our competitive edges and increasing our market share in the jewellery industry, efforts will be made to reduce our reliance on the IT Products and Services segment. With effective internal management and adhering to our usual good practice, the management will enhance corporate governance and further optimize the existing business structure, while aggressively seeking new opportunities for business development and investment.

## **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 Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules. There is no deviation from the Code Provisions as at 31 December 2014.

## **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 the audit committee in accordance with Code C.3.3 of the Code Provisions was adopted in the Board meeting held on 21 March 2012. The audit committee is currently comprised three members – Mr. Lam Tin Faat, Ms. Lu Haina and Ms. Na Xin 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. During the year, Mr. Fu Ping Man resigned as a member on 1 December 2014 and Ms. Na Xin was appointed as a member on 1 December 2014.

The Company's financial statements for the year ended 31 December 2014 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 revised terms of reference of the remuneration committee in accordance with Code B.1.2 of the Code Provisions was adopted in the Board meeting held on 21 March 2012.

The remuneration committee is currently comprised of Mr. Lam Tin Faat and Ms. Na Xin both are Independent Non-executive Directors, and Ms. Li Xia who is an Executive Director. Mr. Lam Tin Faat is the Chairman of the remuneration committee. During the year, Mr. Fu Ping Man resigned as a member on 1 December 2014 and Ms. Na Xin was appointed as a member on 1 December 2014.

## **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 revised terms of reference of the nomination committee in accordance with Code A.5.2 of the Code Provisions was adopted in the Board meeting held on 21 March 2012.

The nomination committee is currently comprised of Mr. Lam Tin Faat and Ms. Na Xin both are Independent Non-executive Directors, and Ms. Li Xia who is an Executive Director. Mr. Lam Tin Faat is the Chairman of the nomination committee. During the year, Mr. Fu Ping Man resigned as a member on 1 December 2014 and Ms. Na Xin was appointed as a member on 1 December 2014.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **SCOPE OF WORK OF THE AUDITORS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited (the "Auditors"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

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

Hong Kong, 17 March 2015

The Board comprises of:

Li Xia (*Executive Director*)

Lin Di (*Executive Director*)

Chen Yin (*Executive Director*)

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

Lu Haina (*Independent Non-executive Director*)

Na Xin (*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](http://www.hkjewelry.net).*