

 **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)

**THIRD QUARTERLY RESULTS FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 2015**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2015

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2015 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	27,524	249,021	124,921	428,051
Other income		2,024	1,192	8,201	3,464
Change in inventories		(4,117)	(108,698)	19,214	(71,571)
Purchase of goods		(912)	(87,256)	(44,763)	(213,582)
Professional fee		(4,678)	(5,456)	(12,788)	(16,313)
Employee benefits expenses		(18,501)	(40,987)	(90,989)	(118,228)
Depreciation and amortisation		(1,165)	(1,114)	(3,433)	(4,126)
Other expenses		(5,139)	(9,554)	(24,975)	(25,280)
Finance costs	4	(93)	(95)	(279)	(283)
Loss on disposal of property, plant and equipment		–	(2,805)	–	(2,805)
Loss of control of a subsidiary	5	–	–	(258)	–
Share of post-tax result of an associate		(2,746)	–	(3,668)	–
Loss before income tax		(7,803)	(5,752)	(28,817)	(20,673)
Income tax expense	6	(22)	(12)	(148)	(194)
Loss for the period		(7,825)	(5,764)	(28,965)	(20,867)
Other comprehensive income for the period, net of tax					
Exchange loss on translation of financial statements of foreign operations		(4,246)	(1,190)	(4,246)	(471)
Total comprehensive loss for the period		(12,071)	(6,954)	(33,211)	(21,338)

	(Unaudited)		(Unaudited)		
	Three months ended		Nine months ended		
	30 September		30 September		
	2015	2014	2015	2014	
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Loss for the period					
attributable to:					
Owners of the Company	(7,445)	(6,698)	(26,269)	(20,204)	
Non-controlling interests	(380)	934	(2,696)	(663)	
	<u>(7,825)</u>	<u>(5,764)</u>	<u>(28,965)</u>	<u>(20,867)</u>	
Total comprehensive loss					
attributable to:					
Owners of the Company	(11,453)	(7,794)	(30,277)	(20,628)	
Non-controlling interests	(618)	840	(2,934)	(710)	
	<u>(12,071)</u>	<u>(6,954)</u>	<u>(33,211)</u>	<u>(21,338)</u>	
Loss per share for the loss					
attributable to the owners of					
the Company during the period					
– Basic and diluted (in HK cents)	7	<u>(0.63) cents</u>	<u>(0.56) cents</u>	<u>(2.21) cents</u>	<u>(1.70) cents</u>

Notes:

1. GENERAL INFORMATION

Hong Kong Jewellery Holding Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and, its principal place of business is Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and Application Service Provider (“ASP”) services, design and sales of gold and jewellery products and investment holding. The Group’s operations are based in Hong Kong and the People’s Republic of China (the “PRC”).

KEY EVENT

On 27 May 2015, Excel Technology International (Hong Kong) Limited (“Excel HK”), a wholly owned subsidiary of the Company entered into an Subscription Agreement with a connected person (“the Subscriber”), that Excel HK agreed to allot and issue 1,000 new shares for a consideration equivalent to 80% of the unaudited net assets value of Excel HK as at 30 April 2015, and the Subscriber agreed to subscribe for the shares.

The Subscriber, Excel (BVI) Limited (“Excel BVI”), the immediate holding company of Excel HK, and Excel HK further entered into a shareholders’ agreement to regulate their respective rights in Excel HK, whereas, upon Completion on the same date of the Subscription Agreement, the Company and the Subscriber owned 50% of beneficial interest of Excel HK respectively.

On completion of the subscription, the Group considered that they did not have control over Excel HK. As such, Excel HK which had been carrying out parts of the businesses of the IT products and services segment, ceased to be a subsidiary of the Group and became an associate.

2. 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 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 accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2014.

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.

3. REVENUE AND TURNOVER

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of gold and jewellery products	5,146	21,609	21,665	51,253
Enterprise software products	11,627	35,213	66,324	95,698
Systems integration	–	180,552	5,053	248,282
Professional services	10,751	10,685	31,879	29,979
ASP services	–	962	–	2,839
Total revenue	27,524	249,021	124,921	428,051

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest charges on:				
Other interest expense, wholly repayable within five years	93	95	279	283
	93	95	279	283

5. LOSS OF CONTROL OF A SUBSIDIARY

On 27 May 2015, Excel Technology International (Hong Kong) Limited (“Excel HK”), a wholly-owned subsidiary of the Company’s subsidiary, Excel (BVI) Limited (“Excel BVI”), and a company wholly owned by Ms. Zee Chan Mei Chu Peggy, a director of Excel BVI and a connected person of the Company at the subsidiary level (the “Subscriber”), entered into a Subscription Agreement, pursuant to which Excel HK agreed to allot and issue 1,000 shares and the Subscriber agreed to subscribe the shares at a price subsequently adjusted to HK\$4,872,889 which represented 80% of the net asset value of Excel HK as at 30 April 2015 and was paid by the Subscriber in July 2015. Upon completion of the subscription on 27 May 2015, each of Excel BVI and the Subscriber owned 50% of the issued share capital of Excel HK. The Group considered that they did not have control over Excel HK after the subscription. As such, the subscription resulted in Excel HK ceasing to be a subsidiary of the Group, a loss on deemed disposal of 50% equity interest of Excel HK amounted to approximately HK\$258,000 was reported in the Group’s Statement of Profit or Loss and Other Comprehensive Income. Excel HK became an associate of the Group after the subscription, and have since been accounted for in the consolidated financial statements for the period ended 30 September 2015 using the equity method.

6. INCOME TAX EXPENSE

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Current tax				
– Overseas				
Tax for the period	<u>(22)</u>	<u>(12)</u>	<u>(148)</u>	<u>(194)</u>
Total income tax expense	<u>(22)</u>	<u>(12)</u>	<u>(148)</u>	<u>(194)</u>

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the nine months ended 30 September 2015 is based on the loss attributable to owners of the Company of HK\$26,269,000 (2014: HK\$20,204,000) and the weighted average number of ordinary shares of 1,188,460,000 (2014: 1,188,460,000) in issue during the period.

Diluted loss per share for the nine months ended 30 September 2015 and 2014 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the period ended 30 September 2015 and 2014 were as follows:-

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	220,438	6,418	(186,521)	40,335
Loss for the period	–	–	(26,269)	(26,269)
Other comprehensive income				
Exchange loss on translation of financial statements of foreign operations	–	(4,008)	–	(4,008)
Total comprehensive loss for the period	–	(4,008)	(26,269)	(30,277)
At 30 September 2015	220,438	2,410	(212,790)	10,058
At 1 January 2014	220,438	7,675	(159,502)	68,611
Loss for the period	–	–	(20,204)	(20,204)
Other comprehensive income				
Exchange loss on translation of financial statements of foreign operations	–	(424)	–	(424)
Total comprehensive loss for the period	–	(424)	(20,204)	(20,628)
At 30 September 2014	220,438	7,251	(179,706)	(47,983)

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: nil).

Business Review

The Group's loss attributable to owners of the Company for the nine months ended 30 September 2015 was HK\$26,269,000 (2014: loss of HK\$20,204,000).

During the nine months ended 30 September 2015, the Group recorded a turnover of HK\$124,921,000, representing a decrease of 71% compared with a turnover of HK\$428,051,000 in the same period of last year.

The sales of gold and jewellery products decreased by 58% to HK\$21,665,000 (2014: HK\$51,253,000). On the IT side of the business, sales of enterprise software products decreased by 31% to HK\$66,324,000 (2014: HK\$95,698,000), while systems integration business dropped by 98% to HK\$5,053,000 (2014: HK\$248,282,000) following the business strategy that minimizes the scale of hardware resales with low profit margin. Professional service business reported a growth of 6% to HK\$31,879,000 (2014: HK\$29,979,000).

During the period, the Group disposed its controlling interest in a loss-making wholly-owned subsidiary in the IT products and services segment. The Directors believed that this would help the Group to maintain its competitiveness and enable potential turnaround of the business segment while lowering the working capital required on the part of the Group for the business operations.

Future prospects

The management continues to hold a cautiously optimistic view towards the IT Products and Services segment. Competition for professional IT talents will remain intense, and remains a challenge for the management to effectively control operating costs in the foreseeable future.

The Group will continue to vigorously promote the development strategy of **HH.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 our usual good practice, the management will further optimize the existing business structure, while aggressively seeking new opportunities for business development and investments.

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

As at 30 September 2015, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

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

Name of director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation		
Ms. LI Xia	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Mr. LIN Di	–	–	148,910,166 (Note 2)	148,910,166	12.53%
Mr. CHEN Yin	–	–	110,303,827 (Note 3)	110,303,827	9.28%

Notes:

- These shares were held by Sino Eminent Limited, a company incorporated in the British Virgin Islands, and is owned as to 25% by Ocean Expert Investments Limited and 75% by 深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd), a company incorporated in the PRC which is held as to 80% by Mr. Zhuang Ruping. Accordingly, Mr. Zhuang Ruping is deemed to be interested in 312,606,140 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Mr. Zhuang Ruping through his shareholding in 深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd). Ocean Expert Investments Limited is a limited company incorporated in the British Virgin Islands which is wholly owned by Ms. Li Xia. Ms. Li Xia is deemed to be interested in 312,606,140 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Ms. Li Xia through her shareholding in Ocean Expert Investments Limited and through her acting as the sole director of Sino Eminent Limited.
- These shares were held by Confluence Holdings Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Lin Di.

- (3) These shares were held by Flourish Zone Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chen Yin.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2015.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sino Eminent Limited (<i>Note 1</i>) 深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd) (<i>Note 1</i>)	312,606,140	26.30%
Ocean Expert Investments Limited (<i>Note 1</i>)	312,606,140	26.30%
Ms. LI Xia (<i>Note 1</i>)	312,606,140	26.30%
Mr. ZHUANG Ruping (<i>Note 1</i>)	312,606,140	26.30%
Confluence Holdings Limited (<i>Note 2</i>)	91,034,166	7.65%
Mr. LIN Di (<i>Note 2</i>)	91,034,166	7.65%
CK Hutchison Holdings Limited (<i>Note 3</i>)	143,233,151	12.05%
Flourish Zone Limited (<i>Note 4</i>)	110,303,827	9.28%
Mr. CHEN Yin (<i>Note 4</i>)	110,303,827	9.28%
Alps Mountain Agent Limited (<i>Note 3</i>)	71,969,151	6.06%
iBusiness Corporation Limited (<i>Note 3</i>)	67,264,000	5.66%

Notes:

- (1) These shares have been disclosed as Directors' interests held by controlled corporation in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company".
- (2) Confluence Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Lin Di. Accordingly, Mr. Lin Di is deemed to be interested in the 91,034,166 shares interested by Confluence Holdings Limited.

- (3) CK Hutchison Holdings Limited (“CK Hutchison”) is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited (“Alps”) and iBusiness Corporation Limited (“iBusiness”). Accordingly, CK Hutchison is deemed to be interested in 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness under the SFO.
- (4) Flourish Zone Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chen Yin. Accordingly, Mr. Chen Yin is deemed to be interested in the 110,303,827 shares interested by Flourish Zone Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2015.

CODE ON CORPORATE GOVERNANCE PRACTICE

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 30 September 2015.

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 of 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.

The unaudited consolidated results of the Group for the nine months ended 30 September 2015 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

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 Ms. Na Xin, 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 Ms. Na Xin, 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.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the nine months ended 30 September 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

During the nine months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 11 November 2015

As at the date of this announcement, the Board comprises of:

Li Xia (*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.