

 **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 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, and 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 2015, the Group's loss attributable to the owners of the Company amounted to HK\$28,467,000 (2014: HK\$27,019,000).
- The Group's revenue for the year ended 31 December 2015 amounted to HK\$174,741,000 (2014: HK\$499,375,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$35,240,000 of the Group's revenue during the year (2014: HK\$70,153,000). The sales of enterprise software products dropped by 43% to HK\$74,203,000 (2014: HK\$129,538,000). Revenue on systems integration business decreased by 95% to HK\$13,633,000 (2014: HK\$259,211,000) while revenue on professional services business increased by 28% to HK\$51,665,000 (2014: HK\$40,473,000).
- Loss per share for loss attributable to the owners of the Company during the year of 2015 was HK2.40 cents.
- The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2015 (2014: 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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>174,741</b>	499,375
Other income	5	<b>5,353</b>	6,427
Change in inventories		<b>15,571</b>	(86,830)
Purchase of goods		<b>(61,668)</b>	(223,747)
Professional fee		<b>(19,239)</b>	(21,712)
Employee benefits expense		<b>(111,456)</b>	(156,810)
Depreciation and amortisation		<b>(3,675)</b>	(4,776)
Other expenses		<b>(30,760)</b>	(38,161)
Finance costs	6	<b>(368)</b>	(377)
Share of result of an associate		<b>(1,490)</b>	–
<b>Loss before income tax</b>	7	<b>(32,991)</b>	(26,611)
Income tax expense	8	<b>(1,566)</b>	(559)
<b>Loss for the year</b>		<b>(34,557)</b>	(27,170)
<b>Other comprehensive expense for the year, after tax*</b>			
Items that will be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		<b>(5,178)</b>	(1,305)
<b>Total comprehensive expense for the year</b>		<b>(39,735)</b>	(28,475)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(28,467)</b>	(27,019)
Non-controlling interests		<b>(6,090)</b>	(151)
		<b>(34,557)</b>	(27,170)

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(33,559)</b>	(28,276)
Non-controlling interests		<b>(6,176)</b>	(199)
		<u><b>(39,735)</b></u>	<u>(28,475)</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	9	<u><b>(2.40)</b></u>	<u>(2.27)</u>
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\* There is no tax effect on the component of other comprehensive income for the years ended 31 December 2015 and 2014.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,562</b>	10,795
Interest in an associate		<b>40,051</b>	–
Available-for-sale financial assets		–	–
Goodwill		–	–
Development costs	<i>12</i>	–	–
Deferred tax assets		–	1,307
		<u><b>46,613</b></u>	<u>12,102</u>
<b>Current assets</b>			
Inventories	<i>13</i>	<b>43,906</b>	28,335
Amounts due from customers for contract work		<b>25,842</b>	44,440
Trade receivables	<i>14</i>	<b>23,686</b>	49,594
Other receivables, deposits and prepayments		<b>22,413</b>	26,586
Financial assets at fair value through profit or loss		–	26,945
Bank balances and cash		<b>33,563</b>	86,872
		<u><b>149,410</b></u>	<u>262,772</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>24,404</b>	32,536
Other payables and accrued charges		<b>29,885</b>	58,117
Borrowings	<i>16</i>	<b>4,098</b>	3,964
Amounts due to customers for contract work		<b>3,277</b>	10,165
Amounts due to directors		<b>9,552</b>	5,355
Tax payables		<b>750</b>	945
		<u><b>71,966</b></u>	<u>111,082</u>
<b>Net current assets</b>		<u><b>77,444</b></u>	<u>151,690</u>
<b>Total assets less current liabilities</b>		<u><b>124,057</b></u>	<u>163,792</u>
<b>Net assets</b>		<u><b>124,057</b></u>	<u>163,792</u>

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>EQUITY</b>		
Share capital	<b>118,846</b>	118,846
Reserves	<b>6,776</b>	40,335
	<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>	<b>125,622</b>	159,181
<b>Non-controlling interests</b>	<b>(1,565)</b>	4,611
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<b>Total equity</b>	<b>124,057</b>	163,792
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Equity attributable to owners of the Company				Total	Non- controlling interests	Total equity
	Share capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Exchange reserve* <i>HK\$'000</i>	Accumulated losses* <i>HK\$'000</i>			
<b>Balance at 1 January 2014</b>	118,846	220,438	7,675	(159,502)	187,457	4,810	192,267
Loss for the year	-	-	-	(27,019)	(27,019)	(151)	(27,170)
Other comprehensive expense							
Exchange loss on translation of financial statements of foreign operations	-	-	(1,257)	-	(1,257)	(48)	(1,305)
<b>Total comprehensive expense for the year</b>	-	-	(1,257)	(27,019)	(28,276)	(199)	(28,475)
<b>Balance at 31 December 2014 and 1 January 2015</b>	<b>118,846</b>	<b>220,438</b>	<b>6,418</b>	<b>(186,521)</b>	<b>159,181</b>	<b>4,611</b>	<b>163,792</b>
Loss for the year	-	-	-	(28,467)	(28,467)	(6,090)	(34,557)
Other comprehensive expense							
Exchange loss on translation of financial statements of foreign operations	-	-	(5,092)	-	(5,092)	(86)	(5,178)
<b>Total comprehensive expense for the year</b>	-	-	(5,092)	(28,467)	(33,559)	(6,176)	(39,735)
<b>Balance at 31 December 2015</b>	<b>118,846</b>	<b>220,438</b>	<b>1,326</b>	<b>(214,988)</b>	<b>125,622</b>	<b>(1,565)</b>	<b>124,057</b>

\* These reserve accounts comprise the Group's reserves of HK\$6,776,000 (2014: HK\$40,335,000) in the consolidated statement of financial position.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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, an investment holding company, and its subsidiaries are principally engaged in the development, sale and implementation of enterprise software and the provision of systems integration and professional 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”).

### 2 BASIS OF PREPARATION

These annual consolidated 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 accounting principles generally accepted in Hong Kong.

The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and 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.

### 3 ADOPTION OF NEW OR AMENDED HKFRSs

#### **New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2015**

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 January 2015:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

Other than as noted below, the adoption of the amendments to 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 HKAS 19: Defined Benefit Plans: Employee Contributions***

The amendments clarify the requirements of HKAS 19 relating to contributions from employees or third parties and introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered.

The amendments do not have any impact on the Group as the Group does not operate a defined benefit plan. The Group has applied the practical expedient as its accounting policy. This treatment is consistent with the Group's previous practice before the amendments. Therefore, the initial application of the amendments has no effect on the Group's consolidated financial statements.

#### ***Annual Improvements to HKFRSs 2010-2012 and 2011-2013 Cycles***

The amendments contained in these two cycles of annual improvements set out amendments to a number of HKFRSs. Other than those that are relevant to the Group, the adoption of these amendments has no material impact on the Group's consolidated financial results or positions.

Amendments to HKAS 8 "Operating Segments" require disclosures of the judgements made in identifying the reportable segment when operating segments have been aggregated and clarifies that reconciliation between the total reporting segments' assets and the entity's assets is required only if the segment assets are regularly reported to the chief operating decision maker. The amendments have had no significant impact on the Group.

Amendments to HKAS 24 "Related Party Disclosures" amends the definition of a 'related party' to include 'management entities' that provide key management personnel services to the reporting entity, requires the disclosure of the amounts recognised as a service fee to a separate management entity for the provision of the key management personnel services and provides a relief so that disclosure of components of the compensation to key management personnel where is paid via a management entity is not required. The amendments do not have any impact on the Group's related party disclosures as the Group did not pay any service fee to a separate management entity for the provision of the key management personnel services.

## Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated 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:

	<b>Effective for accounting periods beginning on or after</b>
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 1 Disclosure Initiative	1 January 2016
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018

## 4 REVENUE AND TURNOVER

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

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of gold and jewellery products	<b>34,700</b>	69,435
Franchise income	<b>540</b>	718
Enterprise software products	<b>74,203</b>	129,538
Systems integration	<b>13,633</b>	259,211
Professional services	<b>51,665</b>	40,473
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<b>Total revenue</b>	<b>174,741</b>	499,375
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## 5 OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	1,184	1,478
Dividend income from listed equity securities	507	1,332
Consultancy and management fee income	1,968	3,113
Others	215	240
	<u>3,874</u>	<u>6,163</u>
<b>Other net income</b>		
Fair value gain on financial assets at fair value through profit or loss	1,477	260
Net gain on disposal of property and equipment	2	–
Reversal of provision for impairment of trade receivables	–	4
	<u>1,479</u>	<u>264</u>
	<u><u>5,353</u></u>	<u><u>6,427</u></u>

## 6 FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest charges on:		
Other interest expense, wholly repayable within five years	<u>368</u>	<u>377</u>

## 7 LOSS BEFORE INCOME TAX

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

	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	46,097	310,577
Cost of services rendered	104,021	142,155
Depreciation	3,675	3,966
Amortisation of development cost	–	810
Auditors' remuneration	987	1,173
Written down of inventories	647	–
Net (gain)/loss on disposal/written off of property, plant and equipment	(2)	2,768
Fair value gain on financial assets at fair value through profit or loss	(1,477)	(260)
Reversal of provision for impairment of trade receivables	–	(4)
Loss on disposal of a subsidiary ( <i>note 17</i> )	258	–
Net exchange loss	362	564
Operating lease charges on land and buildings	7,786	10,719
	<u>7,786</u>	<u>10,719</u>

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profit in Hong Kong (2014: Nil). 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 2015 and 2014. 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.

	2015 HK\$'000	2014 HK\$'000
Current tax		
– Overseas		
Current year	420	559
Deferred tax		
Current year	1,146	–
<b>Total income tax expense</b>	<u>1,566</u>	<u>559</u>

## 9 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\$28,467,000 (2014: HK\$27,019,000) and the weighted average number of ordinary shares of approximately 1,188,460,000 (2014: 1,188,460,000) in issue during the year.

Diluted loss per share for the years ended 31 December 2015 and 2014 equate the basic loss per share as there is no potential dilutive ordinary share in existence during the year.

## 10 SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Jewellery Products: design and sales of gold and jewellery products
- IT Products and Services: provision of information technology services and sales of products, including enterprise software products, systems integration and professional services.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

	<b>Jewellery Products HK\$'000</b>	<b>2015 IT Products and Services HK\$'000</b>	<b>Total HK\$'000</b>
Revenue			
– From external customers	35,240	139,501	174,741
<b>Reportable segment revenue</b>	<b>35,240</b>	<b>139,501</b>	<b>174,741</b>
<b>Reportable segment loss before income tax</b>	<b>(12,269)</b>	<b>(20,722)</b>	<b>(32,991)</b>
Interest income	21	1,163	1,184
Depreciation	(1,583)	(2,092)	(3,675)
Net gain on disposal of property, plant and equipment	–	2	2
Fair value gain on financial assets at fair value through profit or loss	–	1,477	1,477
Finance costs	–	(368)	(368)
Written down of inventories	(647)	–	(647)
Share of result of an associate	–	(1,490)	(1,490)
<b>Reportable segment assets</b>	<b>292,045</b>	<b>128,932</b>	<b>420,977</b>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	77	812	889
<b>Reportable segment liabilities</b>	<b>18,267</b>	<b>278,653</b>	<b>296,920</b>

	Jewellery Products <i>HK\$'000</i>	2014 IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
– From external customers	70,153	429,222	499,375
<b>Reportable segment revenue</b>	<b>70,153</b>	<b>429,222</b>	<b>499,375</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, plant and equipment	(2,768)	–	(2,768)
Fair value gain on financial assets at fair value through profit or loss	–	260	260
Reversal of provision for impairment of trade receivables	–	4	4
Finance costs	–	(377)	(377)
<b>Reportable segment assets</b>	<b>305,019</b>	<b>194,809</b>	<b>499,828</b>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	1,301	1,917	3,218
<b>Reportable segment liabilities</b>	<b>15,377</b>	<b>320,659</b>	<b>336,036</b>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Reportable segment assets	420,977	499,828
Elimination of inter-segment receivables	(224,954)	(224,954)
<b>Group assets</b>	<b>196,023</b>	<b>274,874</b>
Reportable segment liabilities	296,920	336,036
Elimination of inter-segment payables	(224,954)	(224,954)
<b>Group liabilities</b>	<b>71,966</b>	<b>111,082</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 external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	56,347	120,230	40,075	812
PRC and Taiwan	108,211	368,124	6,523	9,911
South East Asia	10,183	11,021	15	72
	<u>174,741</u>	<u>499,375</u>	<u>46,613</u>	<u>10,795</u>

During 2015, none of the Group's customers contributed 10% or more of the Group's total revenue.

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. At 31 December 2014, 16.97% of the Group's trade receivables was due from this customer.

**11 DIVIDENDS**

The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2015 (2014: HK\$Nil).

**12 DEVELOPMENT COSTS**

	2015 HK\$'000	2014 HK\$'000
<b>At 1 January</b>		
Cost	37,376	37,376
Accumulated amortisation	<u>(37,376)</u>	<u>(36,566)</u>
Net book amount	<u>–</u>	<u>810</u>
<b>Year ended 31 December</b>		
Opening net book amount	–	810
Amortisation charge	–	(810)
Written off	–	–
Closing net book amount	<u>–</u>	<u>–</u>
<b>At 31 December</b>		
Cost	7,052	37,376
Accumulated amortisation	<u>(7,052)</u>	<u>(37,376)</u>
Net book amount	<u>–</u>	<u>–</u>

### 13 INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Jewellery Products</b>		
Raw materials	999	1,664
Work in progress	35	533
Finished goods	<u>42,872</u>	<u>26,049</u>
	<b>43,906</b>	28,246
<b>IT Products and Services</b>		
Finished goods	<u>-</u>	<u>89</u>
<b>Total</b>	<b><u>43,906</u></b>	<b><u>28,335</u></b>

Written down of inventories amounted to HK\$647,000 (2014: HK\$Nil) was provided for the year ended 31 December 2015.

### 14 TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Trade receivables</b>		
From third parties	23,441	47,171
From a related party	<u>425</u>	<u>2,610</u>
	<b>23,866</b>	49,781
Less: provision for impairment of receivables	<u>(180)</u>	<u>(187)</u>
	<b><u>23,686</u></b>	<b><u>49,594</u></b>

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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	<b>16,570</b>	35,130
31 – 60 days	<b>3,860</b>	7,983
61 – 90 days	<b>1,910</b>	564
Over 90 days	<b>1,346</b>	5,917
	<u><b>23,686</b></u>	<u>49,594</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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance at the beginning of the year	<b>187</b>	191
Reversal of provision for impairment losses	–	(4)
Exchange differences	<b>(7)</b>	–
	<u><b>180</b></u>	<u>187</u>

## 15 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>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	<b>11,815</b>	1,381
31 – 60 days	–	200
61 – 90 days	–	–
Over 90 days	<b>12,589</b>	30,955
	<u><b>24,404</b></u>	<u>32,536</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.

## 16 BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other borrowings from a third party	<u>4,098</u>	<u>3,964</u>

The loan borrowed from a third party is unsecured, interest bearing at 12% (2014: 12%) per annum and repayable within 1 year from the end of the reporting period. The carrying amounts of the amounts due approximate their fair values.

## 17 LOSS OF CONTROL OF A SUBSIDIARY

On 27 May 2015, the Group, Excel HK, a wholly-owned subsidiary of the Company's subsidiary and a company wholly owned by Ms. Zee Chan Mei Chu Peggy, a director of the Company's subsidiary 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 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. Excel HK became an associate of the Group with effect from 27 May 2015 and have accounted for in the consolidated financial statements using the equity method. The fair value of the equity interest retained by the Group on the date when the control was lost is recognized as deemed cost of acquisition of interest in an associate.

	<i>HK\$'000</i>
<b>Aggregated net assets disposed of:</b>	
Property, plant and equipment	1,016
Deferred tax assets	94
Inventories	1,349
Amounts due from customers for contract work	5,517
Trade receivables	8,795
Other receivables, deposits and prepayments	2,459
Financial assets at fair value through profit or loss	28,291
Bank balances and cash	22,508
Trade payables	(2,422)
Other payables and accrued charges	(25,027)
Amount due to the Group	(33,215)
Amounts due to customers for contract work	(3,976)
	<u>5,389</u>
<b>Loss on disposal of a subsidiary:</b>	
Fair value of the equity interest retained in Excel HK	5,131
Net assets disposed of	(5,389)
	<u>(258)</u>
<b>Net cash outflow arising on disposal:</b>	
Cash and cash equivalents disposed of	<u>(22,508)</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2015, the Group's loss attributable to the owners of the Company amounted to HK\$28,467,000 (2014: HK\$27,019,000).

The Group's revenue for the year ended 31 December 2015 amounted to HK\$174,741,000 (2014: HK\$499,375,000).

The sales of gold and jewellery products and franchise income contributed to HK\$35,240,000 of the Group's revenue during the year (2014: HK\$70,153,000). The sales of enterprise software products dropped by 43% to HK\$74,203,000 (2014: HK\$129,538,000). Revenue on systems integration business decreased by 95% to HK\$13,633,000 (2014: HK\$259,211,000) while revenue on professional services business increased by 28% to HK\$51,665,000 (2014: HK\$40,473,000).

### **OPERATION REVIEW**

The year of 2015 remained a challenge to the jewellery retailers in China. Uncertainties of international economies, volatility of the stock markets, falling gold prices and slowing down of the domestic economy of China were disturbing the jewellery market.

As reported by the National Bureau of Statistics of China, GDP for full year of 2015 expanded by 6.9%, lower than the 7.3% in 2014 and the growth rate was the weakest in 25 years. The slowdown of the Chinese economy contributed to weaker manufacturing and exports, though the services and goods consumption still reported growth.

The gold market was clearly hit by worsened consumer sentiment in the first half of 2015. In the third quarter of 2015, a marked pick up of the gold market was seen when gold jewellery, bars and coins became more affordable to consumers. Although improvements in sales performance continued in the fourth quarter of 2015, the full year demand of gold jewellery ended up with a decrease of approximately 3% from 807.2 tonnes to 783.5 tonnes.

The Group's jewellery business relied on sales performance and investment of the retailers in China through franchise of the Group's brand. The slowdown of economic growth had intensified competition in the gold jewellery industry such that the impacts on the retailers in the third- and fourth-tier cities in China were more apparent. In 2015, the turnover of the jewellery segment decreased by 50% to HK\$35 million from HK\$70 million in 2014 mainly due to the contraction of gold jewellery demand.

The IT Products and Services segment of the Group was also adversely affected by the slowdown of the Chinese economy. Due to adding uncertainties of the domestic economy and the sudden crash in the stock market in the third quarter of 2015, major banks and finance institutions which were targeted by the business segment had reduced their IT spending significantly. On the other hand, competitions for skilled staff in the market remained intense and the costs to implement solutions and to deliver services to customers increased substantially. As a result, the business segment reported a bigger loss for 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2015, the Group remained in a strong financial position with bank balances and cash of HK\$33,563,000 (2014: HK\$86,872,000).

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 is not presented, as the net debt was zero. (2014: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2015, the Group's issued shares were 1,188,460,000 shares (2014: 1,188,460,000 shares).

## **INVESTMENT**

As at 31 December 2015, the Group had no investment in the equity securities listed in Hong Kong (2014: HK\$26,945,000).

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2015, the turnover of the Jewellery Product segment and the IT Products and Services segments amounted to HK\$35,240,000 (2014: HK\$70,153,000) and HK\$139,501,000 (2014: HK\$429,222,000) respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, the number of employees of the Group was 435 (2014: 574). 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**

The Group's jewellery business relied on gold jewellery demand which was largely correlated to the expectations of gold prices and trends. While a slowdown of economy could be negative for the demand for gold jewellery and investments, perceived economic risks brought by a further tightening of interest rates of the United States or global crisis could raise gold demand and prices from international risk-averse investors.

The Management believed that the Group's jewellery business would be recovering in 2016. A forceful rebound in gold prices of approximately 10% in the beginning of 2016 had induced good demand of gold jewellery in China. Although it would be difficult to make a prediction of gold prices in mid- to long-term, the management believed that gold jewellery, in light of its investment element, could regain its importance after multi-year corrections.

Extending the brand **HH.K. JEWELRY** from the Group's core operations in Shenzhen to other first-and second-tier cities and all major provincial capital cities in China by franchise remains the Group's strategy for developing its sales and marketing network. To enhance competitiveness, the group will continue to explore opportunities along supply chain of the industry through investments and business development as appropriate.

On product portfolio, while gold, platinum, karat gold jewellery and diamond ornaments remains the main products, other product groups such as emerald, ruby and sapphire, pearl and other varieties will be further developed to cater the needs of different consumers in the domestic markets.

For the IT Products and Services segment, effective cost controls and market exploration will be the focus of the management in the foreseeable future. The management has started certain organizational efforts for relieving the segment's dependency on the high cost personnel that include outsources of some loss-making operations. The management believes that these efforts can help to reduce the negative impact of high personnel cost to the Group in the longer term.

Overall, the Group will continue to vigorously promote the development strategy of **HH.K. JEWELRY** while efforts will be made to reduce reliance on the IT Products and Services segment. With effective internal management and adhering to the usual good practice, the management commits to optimize the existing business structure and aggressively seek for new opportunities.

## **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.

Pursuant to Code A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities between the management of the Board and the day-to-day management of the Company's business to ensure a balance of power and authority.

During the year ended 31 December 2015, the Company was in compliance with the aforesaid Code Provisions, except for the following deviation as described below:

Mr. Lin Di ("Mr. Lin") resigned as the chief executive officer of the Company ("Chief Executive Officer") with effect from 30 March 2015 and following his resignation, Ms. Li Xia ("Ms. Li"), the chairman of the Company at the time, was appointed as the Chief Executive Officer.

Being aware of the said deviation from Code Provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management team, vesting the roles of both chairman and the Chief Executive Officer in the same person would facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board, which comprised two executive Directors including Ms. Li, and three independent non-executive Directors, during the year ended 31 December 2015, the interests of the Shareholders and Stakeholders was adequately and fairly represented.

The Company has sought to re-comply with Code A.2.1 of the Code Provisions with its best endeavours by identifying and appointing a suitable and qualified candidate to the position of the Chief Executive Officer. Having considered Ms. Li's experiences in the industry, the Company considers it to be more suitable and to the best interests of the Company for Ms. Li to remain as the Chief Executive Officer. Ms. Li resigned as the Chairman of the Board on 17 February 2016 and Mr. Chong Yu Ping was appointed as the Chairman of the Board on 17 February 2016. Such was in line with the requirement under the code provision A.2.1 of the Code and demonstrated a clear division of the responsibilities between chairman and chief executive officer.

## **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 currently comprises 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 Company's financial statements for the year ended 31 December 2015 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 that deal clearly with its authorities 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 currently comprises of Mr. Lam Tin Faat and Ms. Na Xin, who 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.

#### **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 that deal clearly with its authorities 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 currently comprises Mr. Lam Tin Faat and Ms. Na Xin, who 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.

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

During the year ended 31 December 2015, 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 2015 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**  
**CHONG Yu Ping**  
*Chairman*

Hong Kong, 21 March 2016

The Board comprises:

Mr. CHONG Yu Ping (*executive Director*)

Ms. LI Xia (*executive Director*)

Mr. CHEN Yin (*executive Director*)

Mr. LAM Tin Faat (*independent non-executive Director*)

Ms. LU Haina (*independent non-executive Director*)

Ms. NA Xin (*independent non-executive Director*)

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> 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).*