

 **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)

**INTERIM RESULTS FOR THE
SIX MONTHS ENDED 30 JUNE 2016**

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

INTERIM RESULTS ENDED 30 JUNE 2016

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 six months ended 30 June 2016 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	3	23,151	39,113	48,890	97,397
Other income		1,227	5,058	1,767	6,177
Change in inventories		(900)	25,048	(2,959)	23,331
Purchase of goods		(5,817)	(30,140)	(6,744)	(43,851)
Professional fee		(3,330)	(4,749)	(7,084)	(8,110)
Employee benefits expenses		(21,029)	(32,759)	(41,751)	(72,488)
Depreciation and amortisation		(686)	(1,646)	(978)	(2,268)
Other expenses		(1,902)	(7,340)	(11,107)	(19,836)
Finance costs	6	(88)	(94)	(176)	(186)
Loss of control of a subsidiary		–	(258)	–	(258)
Share of post-tax result of an associate		(155)	(922)	(263)	(922)
Loss before income tax	5	(9,529)	(8,689)	(20,405)	(21,014)
Income tax expense	7	(182)	(112)	(269)	(126)
Loss for the period		(9,711)	(8,801)	(20,674)	(21,140)
Other comprehensive income for the period, net of tax					
Exchange gain on translation of financial statements of foreign operations		11	–	11	–
Total comprehensive loss for the period		(9,700)	(8,801)	(20,663)	(21,140)

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
<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		(8,815)	(7,999)	(18,540)	(18,824)
Non-controlling interests		(896)	(802)	(2,134)	(2,316)
		<u>(9,711)</u>	<u>(8,801)</u>	<u>(20,674)</u>	<u>(21,140)</u>
Total comprehensive loss					
attributable to:					
Owners of the Company		(8,804)	(7,999)	(18,529)	(18,824)
Non-controlling interests		(896)	(802)	(2,134)	(2,316)
		<u>(9,700)</u>	<u>(8,801)</u>	<u>(20,663)</u>	<u>(21,140)</u>
Loss per share for the loss					
attributable to the owners of					
the Company during the period					
– Basic and diluted (in HK cents)	9	<u>(0.74)</u>	<u>(0.67)</u>	<u>(1.56)</u>	<u>(1.58)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	5,862	6,562
Interest in an associate		21,379	40,051
		<u>27,241</u>	<u>46,613</u>
Current assets			
Inventories		40,947	43,906
Amounts due from customers for contract work		29,517	25,842
Trade receivables	<i>11</i>	16,266	23,686
Other receivables, deposits and prepayments		25,853	22,413
Bank balances and cash		33,082	33,563
		<u>145,665</u>	<u>149,410</u>
Current liabilities			
Trade payables	<i>12</i>	21,902	24,404
Other payables and accrued charges		28,643	29,885
Borrowings		4,273	4,098
Amounts due to customers for contract work		2,439	3,277
Amounts due to directors		12,255	9,552
Tax payables		-	750
		<u>69,512</u>	<u>71,966</u>
Net current assets		<u>76,153</u>	<u>77,444</u>
Total assets less current liabilities		<u>103,394</u>	<u>124,057</u>
Net assets		<u><u>103,394</u></u>	<u><u>124,057</u></u>

		(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Share capital	<i>13</i>	118,846	118,846
Reserves		(11,753)	6,776
		<hr/>	<hr/>
Equity attributable to owners of the Company		107,093	140,357
Non-controlling interests		(3,699)	(1,565)
		<hr/>	<hr/>
Total equity		103,394	124,057
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Equity attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2016	118,846	220,438	1,326	(214,988)	125,622	(1,565)	124,057
Loss for the period	-	-	-	(18,540)	(18,540)	(2,134)	(20,674)
Other comprehensive income	-	-	11	-	11	-	11
Total comprehensive income/ (loss) for the period	-	-	11	(18,540)	(18,529)	(2,134)	(20,663)
At 30 June 2016	118,846	220,438	1,337	(233,528)	107,093	(3,699)	103,394
At 1 January 2015	118,846	220,438	6,418	(186,521)	159,181	4,611	163,792
Loss for the period	-	-	-	(18,824)	(18,824)	(2,316)	(21,140)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(18,824)	(18,824)	(2,316)	(21,140)
At 30 June 2015	118,846	220,438	6,418	(205,345)	140,357	2,295	142,652

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	(Unaudited)	
	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before income tax	(20,405)	(21,014)
Adjustments:-		
– Share of post-tax result of an associate	263	922
– Other non-cash items and net changes in working capital	1,107	(11,939)
– Loss on control of a subsidiary	–	258
	<u> </u>	<u> </u>
Net cash flows used in operating activities	(19,035)	(31,773)
	<u> </u>	<u> </u>
Cash flows from investing activities		
Interest in an associate	18,672	–
Purchase of property, plant and equipment	(293)	(561)
Net cash outflow upon loss of control of a subsidiary	–	(22,508)
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	18,379	(23,069)
	<u> </u>	<u> </u>
Cash flows from financing activities		
Proceeds from borrowings	175	816
	<u> </u>	<u> </u>
Cash flows from financing activities	175	816
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(481)	(54,026)
	<u> </u>	<u> </u>
Cash and cash equivalents at the beginning of the period	33,563	86,872
	<u> </u>	<u> </u>
Effect on exchange rate changes	–	–
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	33,082	32,846
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 in 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”).

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 2015.

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		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of gold and jewellery products	2,385	3,728	9,261	16,519
Enterprise software products	10,910	23,784	19,610	54,697
Systems integration	989	583	989	5,053
Professional services	8,867	11,018	19,030	21,128
Total revenue	23,151	39,113	48,890	97,397

4. SEGMENT INFORMATION

The executive Directors, being the chief operating decision makers, have identified the Group's two products and service lines as operating 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.

	Six months ended 30 June 2016		
	Jewellery Products <i>HK\$'000</i>	IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
– From external customers	9,261	39,629	48,890
Reportable segment revenue	9,261	39,629	48,890
Reportable segment loss before income tax	(7,876)	(12,529)	(20,405)
Depreciation	(486)	(492)	(978)
Finance costs	–	(176)	(176)
Share of post-tax result of an associate	–	(263)	(263)
Reportable segment assets	288,991	108,868	397,859
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	15	278	293
Reportable segment liabilities	23,090	271,375	294,465

	Six months ended 30 June 2015		
	Jewellery Products <i>HK\$'000</i>	IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
– From external customers	16,519	80,878	97,397
Reportable segment revenue	<u>16,519</u>	<u>80,878</u>	<u>97,397</u>
Reportable segment loss before income tax	(6,164)	(14,850)	(21,014)
Interest income	–	645	645
Depreciation	(1,075)	(1,193)	(2,268)
Fair value gain on financial assets at fair value through profit or loss	–	1,477	1,477
Finance costs	–	(186)	(186)
Loss of control of a subsidiary	–	(258)	(258)
Share of post-tax result of an associate	–	(922)	(922)
Reportable segment assets	299,702	140,032	439,734
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	<u>–</u>	<u>561</u>	<u>561</u>
Reportable segment liabilities	<u>16,098</u>	<u>280,984</u>	<u>297,082</u>

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:

	30 June 2016 <i>HK\$'000</i>	30 June 2015 <i>HK\$'000</i>
Reportable segment assets	397,859	439,734
Elimination of inter-segment receivables	<u>(224,953)</u>	<u>(224,953)</u>
Group assets	<u>172,906</u>	<u>214,781</u>
	30 June 2016 <i>HK\$'000</i>	30 June 2015 <i>HK\$'000</i>
Reportable segment liabilities	294,465	297,082
Elimination of inter-segment payables	<u>(224,953)</u>	<u>(224,953)</u>
Group liabilities	<u>69,512</u>	<u>72,129</u>

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

Place of domicile

	Revenue from external customers		Non-current assets	
	Six months ended		30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,827	49,203	21,839	39,423
PRC and Taiwan	41,055	43,093	5,395	7,992
South East Asia	5,008	5,101	7	43
	48,890	97,397	27,241	47,458

5. LOSS BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	686	1,646	978	2,268
Interest income	-	(318)	-	(645)
Dividend income from listed equity securities	-	(207)	-	(507)
Fair value gain on financial assets at fair value through profit or loss	-	(1,032)	-	(1,477)

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	<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	88	94	176	186

7. 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		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Overseas				
Tax for the period	<u>182</u>	<u>112</u>	<u>269</u>	<u>126</u>
Total income tax expense	<u>182</u>	<u>112</u>	<u>269</u>	<u>126</u>

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2016 is based on the loss attributable to owners of the Company of HK\$18,540,000 (2015: HK\$18,824,000) and the weighted average number of ordinary shares of 1,188,460,000 (2015: 1,188,460,000) in issue during the period.

Diluted loss per share for the six months ended 30 June 2016 and 2015 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group spent HK\$293,000 (six months ended 30 June 2015: HK\$561,000) on acquisition of property, plant and equipment.

11. TRADE RECEIVABLES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables		
From third parties	16,446	23,866
Less: provision for impairment of trade receivables	(180)	(180)
	<u>16,266</u>	<u>23,686</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 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 with 0 – 60 days credit terms.

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods at their inception. All trade receivables are expected to be recovered within one year.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
0 – 30 days	3,787	16,570
31 – 60 days	262	3,860
61 – 90 days	667	1,910
Over 90 days	9,483	1,346
	<u>16,266</u>	<u>23,686</u>

12. TRADE PAYABLES

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
0 – 30 days	6,173	11,815
31 – 60 days	318	–
61 – 90 days	2,606	–
Over 90 days	12,805	12,589
	<u>21,902</u>	<u>24,404</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.

13. SHARE CAPITAL

	30 June 2016 & 31 December 2015	
	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>1,188,460,000</u>	<u>118,846</u>

14. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and/or related parties:

Connected and/or related parties	Nature of transactions	Six months ended	
		2016	2015
		HK\$'000	HK\$'000
Companies in which directors of the Company have interests			
– Shenzhen City Zhong Chuang Union Investment Company Limited* (“Zhong Chuang”) (note a)	Sales of gold and jewellery products	–	1,770
– Shenzhen Yihua Jewellery Company Limited* (“Shenzhen Yihua”) (note b)	Operating lease charges on land and building	990	–
Associate			
– Excel Technology International (Hong Kong) Limited (“Excel HK”) (note c)	Professional fee received	14,341	–
	Professional fee paid	4,494	–
	Purchase of complementary hardware and software	928	–
	Administrative expense reimbursement (no paid)	360	–

Notes:

- (a) Zhong Chuang is owned as to 81% by the brother of Ms. Li Xia.
- (b) Shenzhen Yihua is a substantial shareholder of the Company holding approximately 26.30% of the issued share capital of the Company as at 31 December 2015 and is owned as to 80% by Mr. Chong Yu Ping.
- (c) Excel HK has become an associate since 27 May 2015 and is ultimately 50% owned by Ms. Zee Chan Mei Chu, Peggy, a director of the Company’s subsidiaries.
- (d) The above related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosures required by Chapter 20 of the GEM Listing Rules are provided in the Directors’ Report.
- (e) Sales to or purchases from the connected and/or related parties stated above were conducted in the Group’s normal course of business and at mutually agreed prices and terms.

* The English names of the PRC companies are translation of their respective Chinese names included for information only and are not their official names.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's loss attributable to owners of the Company for the six months ended 30 June 2016 was HK\$18,540,000, comparing with a loss of HK\$18,824,000 in the same period of 2015.

During the six months ended 30 June 2016, the Group recorded a turnover of HK\$48,890,000, representing a decrease of approximately 50% compared with a turnover of HK\$97,397,000 in the same period of last year.

The sales of gold and jewellery products decreased by approximately 44% to HK\$9,261,000 (2015: HK\$16,519,000). On the IT side of the business, sales of enterprise software products decreased by approximately 64% to HK\$19,610,000 (2015: HK\$54,697,000), while systems integration business dropped by approximately 80% to HK\$989,000 (2015: HK\$5,053,000) following the business strategy that minimizes the scale of hardware resales with low profit margin. Professional service business decreased by approximately 10% to HK\$19,030,000 (2015: HK\$21,128,000).

Liquidity and Financial Resources

As of 30 June 2016, the Group was in a financial position with cash and cash equivalents of HK\$33,082,000 (31 December 2015: HK\$32,846,000).

The Group monitors its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. As of 30 June 2016 and 31 December 2015, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

Capital Structure

The Group's outstanding issued shares were 1,188,460,000 shares as at 30 June 2016.

Segmental Performances

For the six months ended 30 June 2016, the Jewellery Products business's turnover was HK\$9,261,000, decreased by approximately 44% compared with the same period of last year (2015: HK\$16,519,000). The IT Products and Services business's turnover was HK\$39,629,000, decreased by approximately 51% compared with the same period of last year (2015: HK\$80,878,000).

Employees

The total number of employees as of 30 June 2016 was 437 (Beginning of 2016: 435). The significant decrease was mainly resulted by the exclusion of a subsidiary due to loss of control during the period.

Outlook for the Second Half of 2016

For the last two years, the IT Product and Service business of the Group had been hammered by the slowing down of China economy. While our customers, which were mostly the banks in China and Hong Kong, had either reduced or withheld their IT investments, demands of our services and software products had been reducing since last year. This coupled with the elevating costs of skilled staff fueled by competitions from participants of the emerging Internet Plus and Financial Technology service markets, remained the challenges to the management. The Group would proactively adjust its strategies for breakthroughs according to the market demand and businesses in the second half of 2016.

On the other hand, the business of Jewellery, being an adornment and an investment, was dependent on both of the domestic economy and the gold market. In the first half of 2016, demand of jewellery in China decreased observably as consumers delayed making purchases as a result of a softening domestic economy and rising gold prices.

It is expected that global gold price and demand will rise further in the second half of 2016 due to risk aversions, downward revisions to the expectation of tightening cycle of the United States and improved sentiment of international commodity markets. In response to the latest market development, the management will adjust the Group's strategies by introducing the regional franchise businesses in the second half year. Through strategic alliance with the franchisees in the first to second-tier cities at regional level, both the quantity and quality of the franchisees will be improved fundamentally. This, accompanied by professional services, aggressive development and marketing of signature jewellery products, can further enhance the value of the brand that a foundation for steady development will be shaped gradually. With good progress, the Group's jewellery businesses can achieve organic growth in one to two years and contribute to the financial performance.

The group will continue to enhance the existing businesses and also look into new opportunities cautiously in the second half of 2016.

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

As at 30 June 2016, 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 pursuant to Rule 5.46 of 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		
Mr. CHONG Yu Ping (appointed on 17 February 2016)	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Ms. LI Xia	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Mr. CHEN Yin	–	–	110,303,827 (Note 2)	110,303,827	9.28%

Notes:

- (1) These shares were held by Sino Eminent Limited. Sino Eminent Limited, a company incorporated in the British Virgin Islands, is owned as to 25% by Ocean Expert Investments Limited and 75% by Shenzhen Yihua Jewelry Co., Ltd ("Shenzhen Yihua"), a company incorporated in the PRC which is held as to 80% by Mr. Chong Yu Ping. Accordingly, Mr. Chong Yu Ping 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. Chong Yu Ping through his shareholding in Shenzhen Yihua. 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.
- (2) 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 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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.

Name of Shareholder	<i>Notes</i>	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sino Eminent Limited	<i>1</i>	312,606,140	26.30%
深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd)	<i>1</i>	312,606,140	26.30%
Ocean Expert Investments Limited	<i>1</i>	312,606,140	26.30%
Ms. LI Xia	<i>1</i>	312,606,140	26.30%
Mr. CHONG Yu Ping	<i>1</i>	312,606,140	26.30%
Confluence Holdings Limited	<i>2</i>	91,034,166	7.65%
Mr. LIN Di	<i>2</i>	91,034,166	7.65%
CK Hutchison Holdings Limited	<i>3</i>	143,233,151	12.05%
Flourish Zone Limited	<i>4</i>	110,303,827	9.28%
Mr. CHEN Yin	<i>4</i>	110,303,827	9.28%
Alps Mountain Agent Limited	<i>3</i>	71,969,151	6.06%
iBusiness Corporation Limited	<i>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 as at 31 March 2016.

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 Corporate Governance Code (the "**Code Provisions**") contained in Appendix 15 of the GEM Listing Rules to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules as at 30 June 2016.

According 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. 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 at the time, was appointed as the Chief Executive Officer. Being aware of the said deviation from Code A.2.1 of the Code Provisions, but in view of the then 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 of two executive Directors, including Ms. Li, and three independent non-executive Directors, 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 is in line with the requirement under the Code A.2.1 of the Code Provisions and demonstrated 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.

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 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, amongst other things, are to review and supervise the financial reporting process, internal control procedures and risk management systems of the Group.

The unaudited consolidated results of the Group for the six months ended 30 June 2016 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 six months ended 30 June 2016.

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 six 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
CHONG Yu Ping
Chairman

Hong Kong, 9 August 2016

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

CHONG Yu Ping (*Executive Director*)
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*)