



香港珠寶
H.K. JEWELRY CO.

Interim Report

2014

Hong Kong Jewellery Holding Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 8048

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, 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 report 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 report misleading.

INTERIM RESULTS ENDED 30 JUNE 2014

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 2014 ("Financial Statements"), together with the comparative figures for the corresponding periods in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	2	117,244	198,118	179,030	250,550
Other income		1,127	3,672	2,272	3,895
Change in inventories		(47,749)	298	37,127	73,775
Purchase of goods		(20,031)	(149,612)	(126,326)	(234,506)
Professional fee		(6,095)	(6,691)	(10,857)	(10,676)
Employee benefits expense		(39,550)	(34,987)	(77,241)	(68,532)
Depreciation and amortisation		(1,516)	(1,376)	(3,012)	(2,724)
Other expenses		(6,956)	(9,399)	(15,726)	(16,062)
Finance costs	5	(94)	(197)	(188)	(268)
Loss before income tax	4	(3,620)	(174)	(14,921)	(4,548)
Income tax expense	6	(155)	(189)	(182)	(191)
Loss for the period		(3,775)	(363)	(15,103)	(4,739)
Other comprehensive income/ (loss) for the period, net of tax					
Exchange gain/(loss) on translation of financial statements of foreign operations		—	(932)	719	(932)
Total comprehensive loss for the period		(3,775)	(1,295)	(14,384)	(5,671)

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Loss)/Profit for the period attributable to:					
Owners of the Company		(3,754)	(760)	(13,506)	(3,845)
Non-controlling interests		(21)	397	(1,597)	(894)
		<u>(3,775)</u>	<u>(363)</u>	<u>(15,103)</u>	<u>(4,739)</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(3,754)	(1,692)	(12,834)	(4,777)
Non-controlling interests		(21)	397	(1,550)	(894)
		<u>(3,775)</u>	<u>(1,295)</u>	<u>(14,384)</u>	<u>(5,671)</u>
Loss per share for the loss attributable to the owners of the Company during the period – Basic and diluted (in HK cents)	8	<u>(0.32) cents</u>	<u>(0.06) cents</u>	<u>(1.14) cents</u>	<u>(0.35) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	14,020	14,453
Available-for-sale financial assets		—	—
Goodwill		—	—
Development costs		—	810
Deferred tax assets		1,326	1,317
		15,346	16,580
Current assets			
Inventories		152,292	115,165
Amounts due from customers for contract work		53,573	41,394
Trade receivables	10	72,815	35,890
Other receivables, deposits and prepayments		51,105	51,026
Financial assets at fair value through profit or loss		26,283	26,602
Bank balances and cash		64,089	71,355
		420,157	341,432

	Notes	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
Current liabilities			
Trade payables	11	117,704	50,429
Other payables and accrued charges		69,486	46,964
Borrowings		60,949	55,943
Amounts due to customers for contract work		6,442	9,363
Amounts due to directors		3,039	2,540
Tax payables		–	506
		257,620	165,745
Net current assets		162,537	175,687
Total assets less current liabilities		177,883	192,267
Net assets		177,883	192,267
EQUITY			
Share capital	12	118,846	118,846
Reserves		55,777	68,611
Equity attributable to owners of the Company		174,623	187,457
Non-controlling interests		3,260	4,810
Total equity		177,883	192,267

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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 2014	118,846	220,438	7,675	(159,502)	187,457	4,810	192,267
Loss for the period	-	-	-	(13,506)	(13,506)	(1,597)	(15,103)
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	672	-	672	47	719
Total comprehensive loss for the period	-	-	672	(13,506)	(12,834)	(1,550)	(14,384)
At 30 June 2014	118,846	220,438	8,347	(173,008)	174,623	3,260	177,883
At 1 January 2013	101,505	179,556	6,013	(145,411)	141,663	10,295	151,958
Issue of share capital	17,341	41,618	-	-	58,959	-	58,959
Share issuance expenses	-	(736)	-	-	(736)	-	(736)
Deregistration of a subsidiary	-	-	-	-	-	(3,655)	(3,655)
Transaction with owners	17,341	40,882	-	-	58,223	(3,655)	54,568
Loss for the period	-	-	-	(3,845)	(3,845)	(894)	(4,739)
Other comprehensive loss							
Exchange loss on translation of financial statements of foreign operations	-	-	(932)	-	(932)	-	(932)
Total comprehensive loss for the period	-	-	(932)	(3,845)	(4,777)	(894)	(5,671)
At 30 June 2013	118,846	220,438	5,081	(149,256)	195,109	5,746	200,855

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(12,125)	44,865
Net cash used in investing activities	(353)	(27,766)
Net cash from/(used in) financing activities	5,006	(26,597)
Net decrease in cash and cash equivalents	(7,472)	(9,498)
Cash and cash equivalents at beginning of the period	71,355	87,763
Effect on foreign exchange rate changes, on cash held	206	—
Cash and cash equivalents at end of the period, represented by bank balances and cash	64,089	78,265

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2013.

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.

2. Revenue and Turnover

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of gold and jewellery products	14,859	51,792	29,644	60,550
Enterprise software products	32,414	34,914	60,485	64,403
Systems integration	59,189	100,965	67,730	105,104
Professional services	9,835	9,568	19,294	18,717
ASP services	947	879	1,877	1,776
Total revenue	117,244	198,118	179,030	250,550

3. Segment Information

The business components in the internal financial information reported to the executive directors are determined by the Group's two product and service lines. The Group has identified Jewellery Products and IT Products and Services as the reportable segments. Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2014		
	Jewellery Products HK\$'000	IT Products and Services HK\$'000	Total HK\$'000
Revenue			
– From external customers	29,644	149,386	179,030
Reportable segment revenue	29,644	149,386	179,030
Reportable segment loss before income tax	(8,931)	(5,990)	(14,921)
Interest income	9	756	765
Depreciation and amortisation of non-financial assets	(994)	(2,018)	(3,012)
Fair value loss on financial assets at fair value through profit or loss	–	(319)	(319)
Finance costs	–	(188)	(188)
Reportable segment assets	330,556	329,000	659,556
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	924	737	1,661
Reportable segment liabilities	34,535	447,138	481,673

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	2013		
	Jewellery	IT Products	Total
	Products	and Services	
	HK\$'000	HK\$'000	HK\$'000
Revenue			
– From external customers	60,550	190,000	250,550
Reportable segment revenue	60,550	190,000	250,550
Reportable segment (loss)/profit before income tax	(5,498)	950	(4,548)
Interest income	4	226	230
Depreciation and amortisation of non-financial assets	(485)	(2,239)	(2,724)
Loss on disposal of property, plant and equipment	–	(2)	(2)
Fair value loss on financial assets at fair value through profit or loss	–	(2,733)	(2,733)
Finance costs	–	(268)	(268)
Reportable segment assets	327,219	278,451	605,670
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	3,785	493	4,278
Reportable segment liabilities	14,822	389,993	404,815

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:

	2014	2013
	HK\$'000	HK\$'000
Reportable segment assets	659,556	605,670
Elimination of inter-segment receivables	(224,053)	(224,953)
Group assets	435,503	380,717
Reportable segment liabilities	481,673	404,815
Elimination of inter-segment payables	(224,053)	(224,953)
Group liabilities	257,620	179,862

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		Non-current assets	
	external customers			
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	59,961	71,344	810	2,483
PRC and Taiwan	113,486	174,355	13,110	11,549
South East Asia	5,583	4,851	100	152
	179,030	250,550	14,020	14,184

4. Loss Before Income Tax

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,111	887	2,202	1,711
Amortisation of development cost	405	489	810	1,013
Interest income	(397)	(127)	(765)	(230)
Dividend income from listed equity securities	(296)	(15)	(543)	(16)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(462)	2,064	319	2,733

5. Finance Costs

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on:				
Other interest expense	94	197	188	268
	94	197	188	268

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		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Overseas				
Tax for the period	155	189	182	191
Total income tax expense	155	189	182	191

7. Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

8. Loss Per Share

The calculation of the basic and diluted loss per share for the six months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$13,506,000 (2013: HK\$3,845,000) and the weighted average number of ordinary shares of 1,188,460,000 (2013: 1,100,317,901) in issue during the period.

Diluted loss per share for the six months ended 30 June 2014 and 2013 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

9. Property, Plant and Equipment

During the six months ended 30 June 2014, the Group spent HK\$1,661,000 (six months ended 30 June 2013: HK\$4,278,000) on acquisition of property, plant and equipment.

10. Trade Receivables

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables		
From third parties	71,929	34,884
From a related party	1,078	1,197
	73,007	36,081
Less: provision for impairment of trade receivables	(192)	(191)
	72,815	35,890

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 2014 HK\$'000	31 December 2013 HK\$'000
0 – 30 days	65,421	30,406
31 – 60 days	2,473	2,565
61 – 90 days	1,239	1,764
Over 90 days	3,682	1,155
	72,815	35,890

11. 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 2014 HK\$'000	31 December 2013 HK\$'000
0 – 30 days	5,618	20,293
31 – 60 days	282	5,615
61 – 90 days	6,798	–
Over 90 days	105,006	24,521
	117,704	50,429

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of its fair value.

12. Share Capital

	30 June 2014 & 31 December 2013	
	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>

13. Financial Guarantee Contracts

As at 30 June 2014, the Company had given corporate guarantee to a third party and a subsidiary of the Company in respect of all monies owed by and/or the obligations and liabilities of the subsidiary due to a third party under a service contract to the extent of HK\$600,000.

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 30 June	
		2014 HK\$'000	2013 HK\$'000
Companies in which directors of the Company have interests			
– Hangzhou Baidi Jewellery Company Limited* ("Baidi Jewellery") (notes a, c)	Sales of gold and jewellery products	134	43,621
– Shenzhen City Zhong Chuang Union Investment Company Limited* ("Zhong Chuang") (notes b, c)	Sales of gold and jewellery products	29	–
– Shenzhen Didi Jewellery Packaging Company Limited* ("Didi Packaging") (notes a, c)	Purchase of packaging materials for the brand H H H.K. JEWELRY	582	332
– Hangzhou Didi Commercial Showcases Company Limited* ("Didi Showcases") (notes a, c)	Purchase of showcases for the brand H H H.K. JEWELRY	519	1,605
A non-controlling interest of a subsidiary	Purchase of complementary hardware and software	6,416	9,352

Notes:

- (a) Baidi Jewellery, Didi Packaging and Didi Showcases are owned as to 90%, 100% and 80% respectively by Hangzhou Didi Investment Joint Stock Company Limited* (杭州迪迪投資股份有限公司), which in turn is owned as to 10% and 90% by Mr. Lin Di and his father, respectively.
- (b) Zhong Chuang is owned as to 81% by the brother of Ms. Li Xia.
- (c) The above related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

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.*

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Non-controlling interests of a subsidiary		
Trade receivables	–	3,808
Trade payables	(1,098)	–
Companies controlled by controlling shareholders		
Trade receivables	1,078	–
Other payables	(4,373)	(2,309)
Prepayments	154	193
Companies controlled by a non-controlling shareholder of a subsidiary		
Borrowings	(57,114)	(29,397)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's loss attributable to owners of the Company for the six months ended 30 June 2014 was HK\$13,506,000, comparing with a loss of HK\$3,845,000 in the same period of 2013.

During the period ended 30 June 2014, the Group recorded a turnover of HK\$179,030,000, representing a decrease of 29% compared with a turnover of HK\$250,550,000 in the same period of last year.

During the period ended 30 June 2014, the sales of gold and jewellery products decreased by 51% to HK\$29,644,000 (2013: HK\$60,550,000). On the IT side of the business, sales of enterprise software products slightly decreased by 6% to HK\$60,485,000 (2013: HK\$64,403,000), while systems integration business significantly dropped by 36% to HK\$67,730,000 (2013: HK\$105,104,000). Both professional service business and ASP business remain stable at HK\$19,294,000 (2013: HK\$18,717,000) and HK\$1,877,000 (2013: HK\$1,776,000) respectively.

Liquidity and Financial Resources

As of 30 June 2014, the Group was in a healthy financial position with cash and cash equivalents of HK\$64,089,000 (31 December 2013: HK\$71,355,000).

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 2014 and 31 December 2013, 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 2014.

Segmental Performances

For the six months ended 30 June 2014, the Jewellery Products business's turnover was HK\$29,644,000, decreased by 51% compared with the same period of last year (2013: HK\$60,550,000). The IT Products and Services business's turnover was HK\$149,386,000, decreased by 21% compared with the same period of last year (2013: HK\$190,000,000).

Employees

The total number of employees as of 30 June 2014 was 622 (Beginning of 2014: 592).

Outlook for the Second Half of 2014

On the IT business side, there was impact of an unhealthy trend in the IT industry, which was the continuous deterioration of profit margins. People cost, the major cost item of the IT industry was still increasing at double-digit rates, and the result was ever-lower margin in many projects and sales made. Management is working on certain cost reduction measures, such as subcontracting out some of our work or selling off some of operating units which prove to be hard to turn around in the near future.

In terms of Jewellery business, with the approach of the sale season in the second half of the year, while speeding up increasing the newly-opened franchised stores under the brand of **HK** H.K. JEWELRY and exploring markets, the Company will further enhance its brand image and reduce costs, with an aim to turn loss into profit in the second half of the year.

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

At 30 June 2014, 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		
Li Xia	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Lin Di	–	–	148,910,166 (Note 2)	148,910,166	12.53%
Chen Yin	–	–	110,303,827 (Note 3)	110,303,827	9.28%

Notes:

- (1) These shares were held by Sino Eminent Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Ms. Li Xia through Ocean Expert Investments Limited, a company incorporated in the British Virgin Islands.
- (2) 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 June 2014.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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>)	312,606,140	26.30%
Ocean Expert Investments Limited (<i>Note 1</i>)	312,606,140	26.30%
Li Xia (<i>Note 1</i>)	312,606,140	26.30%
Confluence Holdings Limited (<i>Note 1</i>)	148,910,166	12.53%
Lin Di (<i>Note 1</i>)	148,910,166	12.53%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	12.05%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	12.05%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	12.05%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	12.05%
Li Ka-shing (<i>Note 2</i>)	143,233,151	12.05%
Flourish Zone Limited (<i>Note 1</i>)	110,303,827	9.28%
Chen Yin (<i>Note 1</i>)	110,303,827	9.28%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	6.06%
iBusiness Corporation Limited (<i>Note 2</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) Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). CKH 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").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 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.

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 June 2014.

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 June 2014.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee is currently comprised three members – Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, all of whom are Independent Non-executive Directors. Mr. Lam Tin Faat is the chairman of the audit committee. The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the six months ended 30 June 2014 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 Mr. Fu Ping Man, both are Independent Non-executive Directors, and Ms. Li Xia who is Executive Director. Mr. Lam Tin Faat is the Chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee was established on 21 March 2012.

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

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

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 2014.

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
Li Xia
Chairman

Hong Kong, 11 August 2014

The Board comprises of:

Li Xia (*Executive Director*)

Lin Di (*Executive Director*)

Chen Yin (*Executive Director*)

Yip Tin Hung (*Executive Director*)

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

Lu Haina (*Independent Non-executive Director*)

Fu Ping Man (*Independent Non-executive Director*)