



Hong Kong Jewellery Holding Limited
香港珠寶控股有限公司

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

2016
FIRST QUARTERLY REPORT

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 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.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2016

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 three months ended 31 March 2016, together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2016

		(Unaudited) Three months ended 31 March	
	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	2	25,740	58,284
Other income		540	1,119
Change in inventories		(2,059)	(1,717)
Purchase of goods		(4,658)	(13,711)
Professional fees		(3,330)	(3,361)
Employee benefits expenses		(20,722)	(39,729)
Depreciation and amortization		(293)	(622)
Other expenses		(6,006)	(12,496)
Finance costs	3	(88)	(92)
Loss before income tax		(10,876)	(12,325)
Income tax expense	4	(87)	(14)
Loss for the period		(10,963)	(12,339)
Other comprehensive income for the period, net of tax		—	—
Total comprehensive loss for the period		(10,963)	(12,339)

		(Unaudited) Three months ended 31 March	
	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Loss for the period attributable to:			
Owners of the Company		(9,725)	(10,825)
Non-controlling interests		(1,238)	(1,514)
		(10,963)	(12,339)
Total comprehensive loss attributable to:			
Owners of the Company		(9,725)	(10,825)
Non-controlling interests		(1,238)	(1,514)
		(10,963)	(12,339)
Loss per share for the loss attributable to the owners of the Company during the period			
– Basic and diluted (in HK cents)	5	(0.82) cents	(0.91) cents

NOTES:

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 accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Company Ordinance and include the applicable disclosure requirements of the 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.

2. Revenue and Turnover

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

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Sales of gold and jewellery products	6,877	12,791
Enterprise software products	8,700	30,913
Professional services	10,163	10,110
Systems integration	–	4,470
Total revenue	25,740	58,284

3. Finance Costs

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Interest charges on:		
Loan wholly repayable within five years	88	92
	88	92

4. 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	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
– Overseas Tax for the period	87	14
Total income tax expense	87	14

5. Loss Per Share

The calculation of the basic and diluted loss per share for the three months ended 31 March 2016 is based on the loss attributable to owners of the Company of HK\$9,725,000 (2015: HK\$10,825,000) 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 three months ended 31 March 2016 and 2015 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the periods ended 31 March 2016 and 2015 were as follows:–

	Share Premium HK\$'000	Exchange Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016	220,438	1,326	(214,988)	6,776
Loss for the period	–	–	(9,725)	(9,725)
At 31 March 2016	220,438	1,326	(224,713)	(2,949)
At 1 January 2015	220,438	6,418	(186,521)	40,335
Loss for the period	–	–	(10,825)	(10,825)
At 31 March 2015	220,438	6,418	(197,346)	29,510

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2016 (2015: Nil).

FINANCIAL PERFORMANCE

The Group's loss attributable to owners of the Company for the three months ended 31 March 2016 was HK\$9,725,000, comparing with a loss of HK\$10,825,000 in the same period of 2015.

During the period ended 31 March 2016, the Group recorded a turnover of HK\$25,740,000, representing a decrease of 56% compared with a turnover of HK\$58,284,000 in the same period of last year.

The sales of gold and jewellery products contributed HK\$6,877,000 (2015: HK\$12,791,000) to the turnover. For the IT Products and Services segment, the sales of enterprise software products decreased by 72% to HK\$8,700,000 (2015: HK\$30,913,000). Professional services business increased slightly to HK\$10,163,000 (2015: HK\$10,110,000) while there was no turnover from system integration business (2015: HK\$4,470,000).

OPERATION REVIEW

Gold price rose by 17% in terms of US dollars in the first quarter of 2016. The rally was supported by risk aversions due to uncertainties of international economies, volatility of stock markets and the implementation of negative interest rate policies by leading global central banks.

Jewellery is an adornment and an investment. Its market was dependent on both of the domestic economy and the international gold market. While the gain in gold price and its trend had induced renewed demands of gold for investment, the slowing down of domestic economy of China could suppress demand of the jewellery as a luxury good.

The Group's jewellery businesses relied on sales performance and growth of investments of retailers in China through franchise of the Group's brand. Since the jewellery market was still bothered by the worries of weakening domestic economy in the first quarter of 2016, the retailers, especially for those in the third- to fourth-tier cities of China targeted by the group, had managed their investments in inventory cautiously at lower levels that recovery of Group's businesses remained hindered.

On the other hand, performance of the IT Products and Services segment of the Group was continuously impacted by rising technical staff cost and shrinking businesses subsequent to reductions in IT spending of customers.

FUTURE PROSPECTS

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

Extending the brand **HK** H.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.

For the IT Products and Services segment, effective cost controls and market exploration will be the focus of the management. 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.

The Group will continue to vigorously promote the development strategy of **HK** H.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.

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

As at 31 March 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 <i>(appointed on 17 February 2016)</i>	–	–	312,606,140 <i>(Note 1)</i>	312,606,140	26.30%
Ms. LI Xia	–	–	312,606,140 <i>(Note 1)</i>	312,606,140	26.30%
Mr. CHEN Yin	–	–	110,303,827 <i>(Note 2)</i>	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 31 March 2016.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 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	1	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)	1	312,606,140	26.30%
Ocean Expert Investments Limited	1	312,606,140	26.30%
Ms. LI Xia	1	312,606,140	26.30%
Mr. CHONG Yu Ping	1	312,606,140	26.30%
Confluence Holdings Limited	2	91,034,166	7.65%
Mr. LIN Di	2	91,034,166	7.65%
CK Hutchison Holdings Limited	3	143,233,151	12.05%
Flourish Zone Limited	4	110,303,827	9.28%
Mr. CHEN Yin	4	110,303,827	9.28%
Alps Mountain Agent Limited	3	71,969,151	6.06%
iBusiness Corporation Limited	3	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.

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 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 three months ended 31 March 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.

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 three 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, 6 May 2016

As at the date of this report, 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*)