



# LARRY JEWELRY INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

FIRST QUARTERLY REPORT 2012

## **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 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 Larry Jewelry International Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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, and there are no other matters the omission of which would make any statement herein or in this report misleading.



The board of directors (the "Board") of Larry Jewelry International Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 31 March	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>			
– Retail		88,421	–
– Others		4,227	5,631
	3	<b>92,648</b>	5,631
<b>Cost of sales</b>			
– Retail		(67,314)	–
– Others		(3,448)	(4,802)
		<b>(70,762)</b>	(4,802)
<b>Gross profit</b>			
– Retail		21,107	–
– Others		779	829
		<b>21,886</b>	829
<b>Other income</b>			
– Retail		1,560	–
– Others		3,870	17
	3	<b>5,430</b>	17
<b>Distribution costs</b>			
– Retail		(17,183)	–
– Others		(1,053)	(1,208)
		<b>(18,236)</b>	(1,208)



	Notes	For the three months ended	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Administrative expenses</b>			
– Retail		(7,115)	–
– Others		(8,657)	(17,083)
		<b>(15,772)</b>	(17,083)
<b>Operating loss</b>			
– Retail		(1,631)	–
– Others		(5,061)	(17,445)
		<b>(6,692)</b>	(17,445)
Finance costs	4	(8,351)	(5)
<b>Loss before income tax</b>	5	<b>(15,043)</b>	(17,450)
Income tax credit	6	186	147
<b>Loss for the period</b>		<b>(14,857)</b>	(17,303)
<b>Loss attributable to owners of the Company</b>		<b>(14,857)</b>	(17,303)
<b>Loss per share</b>	8		
– Basic (HK Cents)		(1.72)	(2.97)
– Diluted (HK Cents)		N/A	N/A



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss for the period	(14,857)	(17,303)
Other comprehensive income		
Exchange loss on translation of financial statements of foreign operations	3,181	–
Total comprehensive loss attributable to owners of the Company	(11,676)	(17,303)



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

### 1. GENERAL INFORMATION

Larry Jewelry International Company Limited (the “Company”) was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company and its subsidiaries (collectively referred to as the “Group”) is located at Units 01–02, 5th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong. The Company’s shares have been listed on the GEM of the Stock Exchange since 7 October 2009.

The Company’s principal activity has not changed during the period and consisted of investment holding. The principal activities of its subsidiaries are principally engaged in designing, sale and retailing of a broad range of fine jewelry products.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The principal accounting policies used in the preparation of these unaudited condensed consolidated results are consistent with those used in the annual audited financial statements for the nine months ended 31 December 2011, except for the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA that are adopted for the first time for the current financial statements. The adoption of these new and revised HKFRSs has had no material impact on the Group’s financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.



### 3. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods sold in the course of the Group's principal activities, net of returns and trade discounts. Revenue and other income recognised during the periods are as follows:

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales	<b>92,648</b>	5,631
<b>Other income</b>		
Change in fair value of financial assets at fair value through profit or loss	<b>1,590</b>	–
Exchange gain, net	<b>1,312</b>	9
Interest income	<b>2</b>	2
Management fee income	<b>194</b>	–
Reversal of provision of impairment on trade receivables	<b>138</b>	–
Sundry income	<b>2,194</b>	6
	<b>5,430</b>	17

### 4. FINANCE COSTS

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest charges on bank and other borrowings wholly repayable within five years	<b>4,606</b>	5
Imputed interest expenses wholly repayable within five years		
– convertible notes	<b>2,237</b>	–
– promissory notes	<b>1,508</b>	–
	<b>8,351</b>	5

## 5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging the following:

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	–	(35)
Cost of inventories recognised as expense, including	<b>70,762</b>	4,802
– Reversal of write-down of inventories to net realisable value	–	(4,365)
Provision of impairment on trade receivables	–	1,000
Depreciation	<b>904</b>	148
Equity settled share-based payment expenses*	<b>3,307</b>	13,450
Employee benefit expense (including share-based payment expenses)	<b>12,915</b>	15,077
Operating lease rentals in respect of rented premises	<b>12,090</b>	662

\* Equity-settled share-based payment expenses include HK\$3,307,000 (three months ended 31 March 2011: HK\$13,150,000) relating to staff benefit expense.





## 6. INCOME TAX CREDIT

	For the three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current income tax		
– Hong Kong	<b>(300)</b>	147
– Singapore	<b>(216)</b>	–
Deferred tax	<b>702</b>	–
	<b>186</b>	147

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 31 March 2012 and 2011.

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

No income tax has been provided for Macau and the PRC as there is no estimated assessable profit derived from Macau and the PRC during the three months ended 31 March 2012 and 2011.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Company and its subsidiaries are not subject to any income tax in Bermuda and the BVI during the three months ended 31 March 2012 and 2011.

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 and 2011.

## 8. LOSS PER SHARE

The calculations of basis loss per share for the three months ended 31 March 2012 are based on the unaudited consolidated loss of HK\$14,857,000 (three months ended 31 March 2011: Loss of HK\$17,303,000) attributable to owners of the Company for the three months ended 31 March 2012 and on the weighted average number of 864,855,000 ordinary shares (three months ended 31 March 2011: 583,233,000 shares) in issue during the period.

For the three months ended 31 March 2012 and 2011, basic loss per share are same as diluted loss per share as there was no dilutive ordinary share.

## 9. RESERVES

	Share premium HK\$'000	Capital contribution reserves HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserves HK\$'000	Merger reserves HK\$'000	Translation Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	236,005	3,988	17,206	8,683	(830)	(6,360)	(74,112)	184,580
Issue of convertible notes	-	-	20,394	-	-	-	-	20,394
Issuance cost of convertible notes	-	-	(783)	-	-	-	-	(783)
Transfer on redemption of convertible notes	-	-	(3,031)	-	-	-	3,031	-
Recognition of equity-settled share-based payments	-	-	-	3,307	-	-	-	3,307
Transactions with owners	-	-	16,580	3,307	-	-	3,031	22,918
Loss for the period	-	-	-	-	-	-	(14,857)	(14,857)
Other comprehensive income								
– Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	3,181	-	3,181
Total comprehensive income for the period	-	-	-	-	-	3,181	(14,857)	(11,676)
At 31 March 2012	236,005	3,988	33,786	11,990	(830)	(3,179)	(85,938)	195,822
At 1 January 2011	57,458	3,988	-	199	(830)	-	12,410	73,225
Issue of shares upon placing	35,024	-	-	-	-	-	-	35,024
Share issue expenses	(1,261)	-	-	-	-	-	-	(1,261)
Recognition of equity-settled share-based payments	-	-	-	13,450	-	-	-	13,450
Issue of shares upon exercise of share options	6,680	-	-	(199)	-	-	-	6,481
Transactions with owners	40,443	-	-	13,251	-	-	-	53,694
Loss for the period	-	-	-	-	-	-	(17,303)	(17,303)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(17,303)	(17,303)
At 31 March 2011	97,901	3,988	-	13,450	(830)	-	(4,893)	109,616



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

During the period under review, the management team has successfully boosted the Company's efficiency and profitability through frontline sales and operational consolidation. Meanwhile, the team has worked hard to increase the market share in the luxury products sector by enriching our products portfolio and entering the Greater China and Asia Pacific region through different strategic partnerships:

- **Introduce a prestigious jewelry brand to Hong Kong**

Larry Jewelry puts a great emphasis on design, quality and highly customized services in the high-end jewelry market. In February 2012, Larry Jewelry signed a distribution agreement with Lazare Kaplan International Inc. ("LKI"), the world's premier diamond-cutting company, under which Larry Jewelry will import and distribute The Lazare Diamond® in Hong Kong.

Thanks to Lazare's ideal cut of diamond, along with our prime store locations, the introduction of The Lazare Diamond® products in the second quarter of 2012 is expected to boost retail revenue for the fiscal year.

- **Expand sales channels through strategic partnerships**

In March, Larry Jewelry and Oriental Watch Holdings Limited ("Oriental Watch") entered into a cooperation agreement. Initially, Larry Jewelry products will be sold in specific sections of Oriental Watch's retail outlets. The first counter will be set up in Oriental Watch's flagship store in Central starting June 2012. Upon achieving satisfactory results, the sales channel of Larry Jewelry products will be expanded to other retail outlets of Oriental Watch.

Currently, Oriental Watch has about 100 retail outlets in Hong Kong, Mainland China, Taiwan and Macau. The agreement will broaden our client base and brand exposure, as well as accelerate our expansion plan in the China market.

- **Substantial support from investors**

Larry Jewelry raised HK\$56 million in March 2012 by issuing convertible notes. The Company has also secured a commitment from Lico Consultancy Limited, a wholly-owned company of Dr. Ina Chan Un Chan, to subscribe for new shares of the Company for approximately HK\$116 million. With the support of key individual shareholders and institution investors, Larry Jewelry is able to achieve significant improvements in its balance sheet.

Leveraged on the strengthening of the Group's balance sheet, we will continue to refinance the borrowings to lower the finance costs.

Moving forward, the management will focus on improving retail sales. We expect sales growth thanks to new promotional campaigns, an expanding client base, a steady increase in sales and the introduction of The Lazare Diamond® in Hong Kong. With a solid business strategy, Larry Jewelry is well positioned to showcase the world's most prestigious jewelry and create sound returns for our shareholders.



## FINANCIAL REVIEW

### REVENUE

With the completion of the acquisition of Sharp Wonder Holdings Limited (“Sharp Wonder”), which operates retail shops under the “Larry Jewelry” brand at premium locations in Hong Kong and Singapore, the Group’s revenue for the three months ended 31 March 2012 increased to approximately HK\$92,648,000 compared to approximately HK\$5,631,000 for the corresponding period last year, an increase of approximately 15 times.

### GROSS PROFIT

The gross margin of the Group as reported in the consolidated income statement was 23.6%. This is due to the fact that in accordance with accounting standards, the inventories of Sharp Wonder as at 19 July 2011 were revalued at the fair market value, representing a 17.9% increase over their historical costs. If all the Group’s inventories were recorded based on historical cost levels, the adjusted gross margin would be 28.2%. As at 31 March 2012, the inventories included an upward fair value adjustment of approximately HK\$17,085,000.

### OTHER INCOME

The Group’s other income for the three months ended 31 March 2012 increased by approximately 318 times to HK\$5,430,000 compared to approximately HK\$17,000 for the corresponding period last year. The increase was mainly attributed to insurance compensation received, increase in fair value of financial assets and exchange gain due to favourable movement of the exchange rate of Singapore Dollars to HKD.

### DISTRIBUTION COSTS

Distribution costs of the Group for the three months ended 31 March 2012 increased to approximately HK\$18,236,000 compared to approximately HK\$1,208,000 compared to the corresponding period last year, representing an increase of approximately 14 times. The increase was mainly attributed to the operating costs of the retail operations acquired on 19 July 2011 and the marketing expense for promoting the brands.

### ADMINISTRATIVE EXPENSES

The Group’s administrative expenses for the three months ended 31 March 2012 decreased by 7.7% to approximately HK\$15,772,000 compared to approximately HK\$17,083,000 for the corresponding period last year. The reduction in administrative expenses is mainly due to lower equity settled share-based staff benefit expense from HK\$13,150,000 for the three months ended 31 March 2011 to HK\$3,307,000 during the three months ended 31 March 2012. The other administrative expenses excluding the above staff benefit cost increased from HK\$3,933,000 to HK\$12,465,000 mainly because of the expansion into the retail segment.

### FINANCE COSTS

The finance costs of the Group for three months ended 31 March 2012 have increased to HK\$8,351,000 compared to approximately HK\$5,000 for the corresponding last year. The increase was mainly due to the Company has raised debt financing (including convertible notes) and issued promissory notes for the Sharp Wonder Acquisition.

## LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss attributable to the owners of the Company was HK\$14,857,000 for the three months ended 31 March 2012 compared to loss of HK\$17,303,000 for the corresponding period last year. The loss was mainly driven by (i) non-cash items including equity settled shared-based staff benefit expense and amortisation of fair value of financial assets at fair value through profit or loss and (ii) high finance costs. During the reported period, Sharp Wonder continued to generate profit from its operation.

## SHARE OPTIONS

The Company has conditionally adopted the share option scheme on 21 September 2009 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the share option scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix V to the Prospectus.

As at 31 March 2012, details of the options granted under the Share Option Scheme and the General Mandate were as follows:

Grantee	Outstanding as at 31 December 2011	Number of share options					Outstanding as at 31 March 2012	Date of grant	Exercise period	Exercise price
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
<b>(i) Under Share Option Scheme</b>										
<b>Directors</b>										
Ms. Tsang Po Yee Pauline	5,810,000	-	-	-	-	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	
Mr. Chan Man Fai Joe	5,810,000	-	-	-	-	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	
		2,000,000	-	-	-	2,000,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	
Mr. Tam B Ray Billy	5,810,000	-	-	-	-	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	
Mr. Lam Kin Kok	-	250,000	-	-	-	250,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	
Mr. Seto Man Fai	-	250,000	-	-	-	250,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	
Mr. Ho Hin Hung Henry	-	250,000	-	-	-	250,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	
<b>Employees</b>	-	7,300,000	-	-	-	7,300,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	
<b>Consultant</b>	4,600,000	-	-	-	-	4,600,000	30 September 2011	30 September 2011 to 29 September 2014	HK\$0.550	
	22,030,000	10,050,000	-	-	-	32,080,000				
<b>(ii) Under General Mandate</b>										
<b>Consultant</b>	17,000,000	-	-	-	-	17,000,000	8 March 2011	8 March 2011 to 7 March 2013	HK\$0.553	
<b>Consultant</b>	30,000,000	-	-	-	-	30,000,000	4 October 2011	4 October 2011 to 3 October 2013	HK\$0.750	
	47,000,000	-	-	-	-	47,000,000				
<b>Total</b>	69,030,000	10,050,000	-	-	-	79,080,000				



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2012, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

### LONG POSITIONS IN SHARE OPTIONS OF THE COMPANY

Name of Director	Date of grant of share options	Exercise period	Exercise price	Number of options directly beneficially owned	Approximate percentage of total issued shares
Ms. Tsang Po Yee Pauline	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.67%
Mr. Chan Man Fai Joe	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.67%
	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	2,000,000	0.23%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.67%
Mr. Lam Kin Kok	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.03%
Mr. Seto Man Fai	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.03%
Mr. Ho Hin Hung Henry	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.03%
Total				20,180,000	2.33%



## LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding of the Company
Mr. Chan Man Fai Joe ("Mr. Chan")	Directly beneficial owned	6,270,000	0.72%
	Held by controlled corporation	310,000	0.04%
Total		6,580,000	0.76%

Note: Mr. Chan, the Chairman and a non-executive director of the Company, was interested in 310,000 shares through Galaxy Investment (BVI) Limited. 100% of the issued share capital of Galaxy Investment (BVI) Limited was held by Galaxy Holdings (BVI) Limited, and 100% of the issued share capital of Galaxy Holdings (BVI) Limited was held by Crystal Harbour Holdings Limited, a company wholly owned by Mr. Chan.

Save as disclosed above, as at 31 March 2012, none of the directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2012, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### LONG POSITIONS IN SHARES OF THE COMPANY

Name of shareholder	Capacity of interests	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Citigroup Inc.	Person having a security interest in shares	196,956,000	22.77%
Fullink Management Limited (Note 1)	Beneficial owner	181,000,000	20.93%
Tsang, Michael Man-heem (Note 1)	Interest of controlled corporation	181,000,000	20.93%
Galaxy Asset Management (H.K.) Ltd (Note 2)	Investment advisor	176,450,000	20.40%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	116,670,000	13.49%
Asia Private Credit Fund Limited	Beneficial owner	51,870,000	6.00%

#### Notes:

- These Shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem, 15% by Ms. Tsang Po Yee Pauline (an executive Director), 15% by Ms. Tsang, Becky Po Kei, 15% by Ms. Tsang, Po De Wendy, 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang Po Yee Pauline (an executive Director) is a director of Fullink Management Limited.
- These Shares refer to 101,660,000 Shares held by Galaxy China Deep Value Fund, 58,790,000 Shares held by Galaxy Master Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Event Driven Fund Segregated Portfolio, 11,000,000 Shares held by Galaxy Master Fund SPC, for and on behalf of Galaxy Mining and Natural Resources Fund Segregated Portfolio, 4,000,000 Shares held by Galaxy China Opportunities Fund and 1,000,000 Shares held by Merchant Funds Public Limited Company acting in respect of Merchant Galaxy China Absolute Return UCITS Fund. Galaxy Asset Management (H.K.) Ltd is the investment advisor to these funds. Mr. Chan Man Fai Joe, a non-executive Director and the chairman of the Company, is a director of Galaxy Asset Management (H.K.) Ltd.





Save as disclosed above, as at 31 March 2012, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

#### PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2012.

#### INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 March 2012, except for the agreement entered into between the Company and the Compliance Advisor dated 28 September 2009, neither the Compliance Adviser or its directors, employees or associates had any interest in relation to the Group.

#### DIRECTOR'S INTERESTS IN COMPETING INTERESTS

As at the date of this first quarterly report, none of the directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.



## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the three months ended 31 March 2012.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

## AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors and one non-executive director of the Company, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok. The unaudited consolidated results of the Group for the three months ended 31 March 2012 have not been audited by the Company's auditors, but have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board  
**Larry Jewelry International Company Limited**  
**Tsang Po Yee Pauline**  
*Executive Director*

Hong Kong, 11 May 2012

*As at the date of this report, the Board comprises Ms. Tsang Po Yee Pauline as executive director, Mr. Chan Man Fai Joe as chairman and non-executive director, Mr. Tam B Ray Billy and Mr. Lam Kin Kok as non-executive directors, and Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Wong Tat Tung as independent non-executive directors.*