

# LARRY JEWELRY

## INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351



THIRD QUARTERLY REPORT 2012

## **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 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") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 30 September 2012

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	73,622	54,438	243,982	65,889
Cost of sales		(48,529)	(45,574)	(176,136)	(53,446)
Gross profit		25,093	8,864	67,846	12,443
Other income	3	1,122	184	4,449	216
Selling and distribution costs		(18,930)	(11,041)	(55,478)	(12,881)
Administrative expenses		(17,556)	(27,946)	(56,921)	(52,998)
Operating loss		(10,271)	(29,939)	(40,104)	(53,220)
Finance costs	5	(4,849)	(8,239)	(20,324)	(8,244)
Loss before income tax	6	(15,120)	(38,178)	(60,428)	(61,464)
Income tax (expense)/credit	7	(552)	1,010	(449)	1,118
Loss for the period attributable to the owners of the Company		(15,672)	(37,168)	(60,877)	(60,346)
Loss per share for loss attributable to the owners of the Company during the period					
– Basic and diluted (HK Cents)	9	(1.67)	(5.60)	(6.48)	(9.10)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2012

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	(15,672)	(37,168)	(60,877)	(60,346)
Other comprehensive income				
Exchange gain/(loss) on translation of financial statements of foreign operations	2,971	(6,325)	5,065	(6,325)
Total comprehensive income for the period attributable to the owners of the Company	(12,701)	(43,493)	(55,812)	(66,671)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD 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:

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	<b>Revenue</b>			
Sales	73,622	54,438	243,982	65,889
<b>Other income</b>				
Exchange gain, net	–	–	564	–
Interest income	14	4	17	15
Management fee income	48	156	435	156
Reversal of provision of impairment on trade receivables	945	–	1,083	–
Sundry income	115	24	2,350	45
	<b>1,122</b>	184	<b>4,449</b>	216

#### 4. SEGMENT INFORMATION

Management has identified the Group's two product lines as operating segments:

- (a) Design and Trading of Jewelry Products segment
- (b) Retailing of Jewelry Products segment

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

	2012			
	Design and Trading of Jewelry Products segment (Unaudited) HK\$'000	Retailing of Jewelry Products segment (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Segment revenue	4,408	239,574	–
Segment loss before income tax	1,443	(9,355)	(52,516)	(60,428)

  

	2011			
	Design and Trading of Jewelry Products segment (Unaudited) HK\$'000	Retailing of Jewelry Products segment (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Segment revenue	12,156	53,733	–
Segment loss before income tax	(5,733)	(15,692)	(40,039)	(61,464)

All of the segment revenue reported above is from external customers.

The Group's revenue from external customers is divided into the following geographical areas:

	Nine months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Southeast Asia	135,570	24,448
Greater China (include Hong Kong and Macau)	108,149	34,168
Europe	237	5,756
The United States of America and Canada	26	1,517
	<b>243,982</b>	<b>65,889</b>

The geographical location of customers is based on the location at which the goods were delivered.

During the period under review, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) (2011: Nil). The country of domicile is the country where the Company was incorporated.

## 5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest charges on bank and other borrowings wholly repayable within five years	1,415	5,208	8,195	5,213
Imputed interest expenses wholly repayable within five years				
– convertible notes	3,212	1,763	9,345	1,763
– promissory notes	222	1,268	2,784	1,268
	<b>4,849</b>	<b>8,239</b>	<b>20,324</b>	<b>8,244</b>



## 6. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:				
Auditors' remuneration	278	107	959	172
Cost of inventories recognised as expense, including	48,529	45,574	176,136	53,446
– Amortization of upward fair value adjustment for inventories acquired through acquisition of subsidiaries	1,192	8,043	7,430	8,043
– Reversal of write-down of inventories to net realisable value	–	–	–	(4,365)
Provision of impairment on trade receivables	–	2,696	–	3,696
Depreciation	1,405	568	3,344	863
Loss on disposals of property, plant and equipment	–	1,357	59	1,357
Loss of inventories	–	–	128	–
Loss on redemption of convertible notes	–	–	7,108	–
Change in fair value of financial assets at fair value through profit or loss	2,638	726	9,853	726
Equity settled share-based payment expenses	–	400	3,307	13,850
Employee benefit expense, including	8,953	8,052	30,111	24,797
– Share-based payment expenses	–	–	3,307	13,150
Exchange loss, net	89	1,808	–	1,607
Operating lease rentals in respect of rented premises	12,194	10,473	35,929	12,731

## 7. INCOME TAX (EXPENSE)/CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current income tax				
– Hong Kong	31	(201)	(170)	(93)
– Singapore	(782)	(130)	(1,517)	(130)
Deferred tax	199	1,341	1,238	1,341
	(552)	1,010	(449)	1,118

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months and nine months ended 30 September 2012 and 2011.

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for the three months and nine months ended 30 September 2012 and 2011.

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 and nine months ended 30 September 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 and nine months ended 30 September 2012 and 2011.

## 8. DIVIDENDS

The Board does not recommend the payment of dividend for the nine months ended 30 September 2012 and 2011.

## 9. LOSS PER SHARE

The adjusted loss attributable to the owners of the Company is calculated based on the loss attributable to the owners of the Company for the three months and nine months ended 30 September 2012 of HK\$15,672,000 (2011: HK\$37,168,000) and HK\$60,877,000 (2011: HK\$60,346,000) as used in the calculation of basic loss per share.

The weighted average number of shares used in the calculation of basic loss per share is calculated based on the weighted average of 939,204,000 (2011: 663,408,000) ordinary shares in issue during the period.

For the three months and nine months ended 30 September 2012 and 2011, basic loss per share are same as diluted loss per share as there was no dilutive ordinary share.

## 10. RESERVES

	Share premium HK\$'000	Capital contribution reserves HK\$'000	Convertible notes equity reserves HK\$'000	Share option reserves HK\$'000	Merger reserves HK\$'000	Translation reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as 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	-	-	(12,125)	-	-	-	12,125	-
Issue of shares	116,440	-	-	-	-	-	-	116,440
Share issue expenses	(4,101)	-	-	-	-	-	-	(4,101)
Recognition of equity-settled share-based payments	-	-	-	3,307	-	-	-	3,307
Transactions with owners	112,339	-	7,486	3,307	-	-	12,125	135,257
Loss for the period	-	-	-	-	-	-	(60,877)	(60,877)
Other comprehensive income - Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	5,065	-	5,065
Total comprehensive income for the period	-	-	-	-	-	5,065	(60,877)	(55,812)
At 30 September 2012	348,344	3,988	24,692	11,990	(830)	(1,295)	(122,864)	264,025
Balance as at 1 January 2011	57,458	3,988	-	199	(830)	-	12,410	73,225
Issue of convertible notes	-	-	17,634	-	-	-	-	17,634
Issue of shares	148,672	-	-	-	-	-	-	148,672
Share issue expenses	(1,742)	-	-	-	-	-	-	(1,742)
Recognition of equity-settled share-based payments	(400)	-	-	14,250	-	-	-	13,850
Issue of shares upon exercise of share options	6,680	-	-	(199)	-	-	-	6,481
Share options forfeited	-	-	-	(5,260)	-	-	5,260	-
Transactions with owners	153,210	-	17,634	8,791	-	-	5,260	184,895
Loss for the period	-	-	-	-	-	-	(60,346)	(60,346)
Other comprehensive income - Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(6,325)	-	(6,325)
Total comprehensive income for the period	-	-	-	-	-	(6,325)	(60,346)	(66,671)
At 30 September 2011	210,668	3,988	17,634	8,990	(830)	(6,325)	(42,676)	191,449

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### BUSINESS REVIEW

During the period under review (the "Period"), the Group's retail revenue was the major contributor to the Group, despite the continuing challenges facing the global economic uncertainties. As a transition year after the acquisition of "Larry Jewelry", the management team embarked on a thorough assessment of the Group's marketing strategy and launched a series of marketing campaigns, successfully increasing the brand recognition of "Larry Jewelry".

#### ***Broadening Products Portfolio***

To celebrate its 45th anniversary of "Larry Jewelry", the Group launched a new collection, namely "L'Cosmo", which is specially designed to meet the needs of cosmopolitan women to present a unique personal style, marking a move away from the traditional concept of diamond jewelry. In addition, the Group has launched the Lazare Diamond® series in September and is now being at "Larry Jewelry" stores in Central and Tsim Sha Tsui, representing the Group's endeavor to bring its customers a wide selection of the most luxurious jewelry to cater different needs. During the Period, the Group hosted several VIP events for existing and potential customers to promote the brand, further enhancing public awareness of "Larry Jewelry".

#### ***Managing with a Steady Hand***

In view of the unfavorable global economic conditions, the management team of the Group remained cautious to the global economic conditions when planning its next moves yet it stayed close to the market trends to meet customers' needs. During the Period, the Group has uplifted the design of its Central store to present a trendy mixing elegant image of "Larry Jewelry", showing its eagerness to keep abreast of latest jewelry trend.

During the Period, the Group has repaid all promissory notes and completed the refinancing of short term debts incurred in connection with the acquisition of Sharp Wonder Holdings Limited, further strengthening the financial position of the Group by lowering the debt/equity ratio and reducing the interest expenses.

As a result, the loss attributable to the owners of the Company for the three months ended 30 September 2012 was reduced to approximately HK\$15,672,000 compared to approximately HK\$37,168,000 for the corresponding period last year.

#### OUTLOOK

Looking ahead, the Group will set up its first showroom in Beijing, expecting to commence operation in the first quarter of 2013. And at the same time, it will continue to launch new series of luxury products, inherited from Larry Jewelry's exquisite craftsmanship and distinguished design, to reach potential customers of different age groups. The Group will strive to promote "Larry Jewelry" brand and generate long-term returns to its 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 nine months ended 30 September 2012 increased to approximately HK\$243,982,000 compared to approximately HK\$65,889,000 for the corresponding period last year, an increase of approximately 2.7 times.

### GROSS PROFIT

The Group’s gross profit for the nine months ended 30 September 2012 increased to approximately 67,846,000 compared to approximately HK\$12,443,000 for the corresponding period last year. The gross margin of the Group as reported in the consolidated income statement was 27.8% whereas if all the Group’s inventories were recorded based on historical cost levels, the adjusted gross margin would be 30.9%. During the nine months ended 30 September 2011, the gross margin was 31.1% if all the inventories were recorded based on historical cost levels. The inventories included an upward fair value adjustment of approximately HK\$13,867,000 as at 30 September 2012.

### OTHER INCOME

The Group’s other income for the nine months ended 30 September 2012 increased by approximately 19.6 times to approximately HK\$4,449,000 compared to approximately HK\$216,000 for the corresponding period last year. The increase was mainly attributed to insurance compensation received, exchange gain due to favourable movement of the exchange rate of Singapore Dollars to HKD, reversal of provision of impairment on trade receivables and management fee income.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group for the nine months ended 30 September 2012 increased to approximately HK\$55,478,000 compared to approximately HK\$12,881,000 for the corresponding period last year, representing an increase of approximately 3.3 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 throughout the nine months period.

For the three months ended 30 September 2012, the selling and distribution expenses was approximately HK\$18,930,000 compared to approximately HK\$11,041,000 for the corresponding period last year due to increase in marketing expenses and rental expenses.

### ADMINISTRATIVE EXPENSES

The Group’s administrative expenses for the nine months ended 30 September 2012 increased by 7.4% to approximately HK\$56,921,000 compared to approximately HK\$52,998,000 for the corresponding period last year. Excluding the decrease in equity settled share-based staff benefit expense from HK\$13,150,000 for the nine months ended 30 September 2011 to HK\$3,307,000 for the nine months ended 30 September 2012, the other administrative expenses increased from approximately HK\$39,848,000 to approximately HK\$53,614,000 mainly because of the expansion into the retail segment, the loss incurred for the redemption of convertible notes (approximately HK\$7,108,000) and the decrease in fair value of financial assets (approximately HK\$9,853,000).

For the three months ended 30 September 2012, the administrative expenses was approximately HK\$17,556,000 compared to approximately HK\$27,946,000 for the corresponding period last year. The decrease was mainly because the administrative expenses for the three months ended 30 September 2011 included cost for completing the acquisitions of subsidiaries and capital raising exercises as well as provision of impairment on trade receivables, exchange loss due to unfavourable movement of the exchange rate of Singapore Dollars to HKD and loss on disposals of property, plant and equipment.

## **FINANCE COSTS**

The finance costs of the Group for nine months ended 30 September 2012 have increased to approximately HK\$20,324,000 compared to approximately HK\$8,244,000 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. With the completion of the refinancing of the short term debts in July 2012, it is foreseen that the finance costs will be reduced.

The finance costs of the Group for three months ended 30 September 2012 was approximately HK\$4,849,000 compared to approximately HK\$8,239,000 for the corresponding period last year due to reduction in the level of borrowings of the Group.

## **LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

Loss attributable to the owners of the Company was approximately HK\$60,877,000 for the nine months ended 30 September 2012 compared to loss of approximately HK\$60,346,000 for the corresponding period last year. The loss was 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, (ii) one-off items including loss incurred for the redemption of convertible notes and (iii) high finance costs before refinancing of the short term debt in July 2012.

For the three months ended 30 September 2012, the loss attributable to the owners of the Company was approximately HK\$15,672,000 compared to approximately HK\$37,168,000 for the corresponding period last year.

## 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 30 September 2012, details of the options granted under the Share Option Scheme and the General Mandate were as follows:

Grantee	Outstanding as at 1 January 2012	Number of share options				Outstanding as at 30 September 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 30 September 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 ("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 as 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 to 5.67 of the GEM Listing Rules, were as follows:

### 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	Directly beneficial owned	6,270,000	0.62%

### 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	0.57%
Mr. Chan Man Fai Joe	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.57%
	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	2,000,000	0.20%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.57%
Mr. Lam Kin Kok	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.02%
Mr. Seto Man Fai	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.02%
Mr. Ho Hin Hung Henry	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770	250,000	0.02%
Total				20,180,000	1.97%



Save as disclosed above, as at 30 September 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 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2012, other than the interests of certain directors and chief executives 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	203,456,000	19.98%
Fullink Management Limited (Note 1)	Beneficial owner	181,000,000	17.78%
Tsang, Michael Man-heem (Note 1)	Interest of controlled corporation	181,000,000	17.78%
Galaxy Asset Management (H.K.) Ltd (Note 2)	Investment advisor	180,850,000	17.76%
Lico Consultancy Limited (Note 3)	Beneficial owner	150,650,000	14.80%
Chan Un Chan (Note 3)	Interest of controlled corporation	150,650,000	14.80%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	118,180,000	11.61%
Asia Private Credit Fund Limited	Beneficial owner	51,870,000	5.09%

Notes:

1. 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 and 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang Po Yee Pauline (an executive Director) is a director of Fullink Management Limited.
2. These Shares refer to 102,810,000 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 and 8,250,000 Shares held by Galaxy China Opportunities 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..
3. Lico Consultancy Limited is wholly and beneficially owned by Ms. Chan Un Chan.

## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity of interests	Number of underlying shares held	Approximate percentage of shareholding in the Company
UNIR (HK) Management Limited	Beneficial owner	42,500,000	4.17%
Chan Un Chan	Interest of controlled corporation	42,500,000	4.17%

Note: UNIR (HK) Management Limited holds convertible notes issued by the Company in the aggregate principal amount of HK\$34,000,000 which can be converted into 42,500,000 shares. UNIR (HK) Management Limited is therefore deemed to be interested in 42,500,000 underlying shares. UNIR (HK) Management Limited is wholly and beneficially owned by Ms. Chan Un Chan.

Save as disclosed above, as at 30 September 2012, the directors of the Company were not aware of any other person (other than the directors and chief executives 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 spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouses 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 nine months ended 30 September 2012.

## **DIRECTORS' INTERESTS IN COMPETING INTERESTS**

As at the date of this 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 nine months ended 30 September 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 three independent non-executive directors of the Company, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Wong Tat Tung. The unaudited consolidated results of the Group for the nine months ended 30 September 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, 8 November 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, Mr. Lam Kin Kok and Mr. Cheng Ping Yat as non-executive directors, and Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Wong Tat Tung as independent non-executive directors.*