

# LARRY JEWELRY

## INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

FIRST QUARTERLY REPORT 2013



## **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.**

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

*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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		<b>For the three months ended 31 March</b>	
		<b>2013</b>	<b>2012</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>68,653</b>	92,648
<b>Cost of sales</b>		<b>(48,572)</b>	(70,762)
<b>Gross profit</b>		<b>20,081</b>	21,886
<b>Other income</b>	3	<b>171</b>	5,430
<b>Selling and distribution costs</b>		<b>(15,988)</b>	(18,236)
<b>Administrative expenses</b>		<b>(12,034)</b>	(15,772)
<b>Operating loss</b>		<b>(7,770)</b>	(6,692)
<b>Finance costs</b>	5	<b>(5,542)</b>	(8,351)
<b>Loss before income tax</b>	6	<b>(13,312)</b>	(15,043)
<b>Income tax credit</b>	7	<b>15</b>	186
<b>Loss for the period attributable to the owners of the Company</b>		<b>(13,297)</b>	(14,857)
<b>Loss per share for loss attributable to the owners of the Company during the period</b>			
– Basic and diluted (HK cents)	9	<b>(1.31)</b>	(1.72)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(13,297)</b>	(14,857)
<b>Other comprehensive income</b>		
<b>Exchange (loss) / gain on translation of financial statements of foreign operations</b>	<b>(1,094)</b>	3,181
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(14,391)</b>	(11,676)

## 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 13/F., Pacific House, 20 Queen’s Road Central, 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 year ended 31 December 2012, 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 period are as follows:

	For the three months ended 31 March	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales	<b>68,653</b>	92,648
<b>Other income</b>		
Change in fair value of financial assets at fair value through profit or loss	-	1,590
Exchange gain, net	-	1,312
Interest income	-	2
Management fee income	-	194
Reversal of provision of impairment on trade receivables	<b>81</b>	138
Sundry income	<b>90</b>	2,194
	<b>171</b>	5,430

### 4. SEGMENT INFORMATION

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

- Design and Trading of Jewelry Products segment
- Retailing of Jewelry Products segment

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

	2013			Total (unaudited) HK\$'000
	Design and Trading of Jewelry Products segment (unaudited) HK\$'000	Retailing of Jewelry Products segment (unaudited) HK\$'000	Unallocated (unaudited) HK\$'000	
Segment revenue	485	68,168	-	68,653
Segment profit / (loss) before income tax	95	(7,488)	(5,919)	(13,312)

	2012			Total (unaudited) HK\$'000		
	Design and Trading of Jewelry Products segment (unaudited) HK\$'000	Retailing of Jewelry Products segment (unaudited) HK\$'000	Unallocated (unaudited) HK\$'000			
	Segment revenue	4,227	88,421		-	92,648
	Segment profit / (loss) before income tax	1,837	(1,631)		(15,249)	(15,043)

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:

	Three months ended 31 March	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Southeast Asia	<b>37,993</b>	36,675
Greater China (include Hong Kong and Macau)	<b>30,372</b>	55,699
Others	<b>288</b>	274
	<b>68,653</b>	92,648

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) (three months ended 31 March 2012: Nil). The country of domicile is the country where the Company was incorporated.



## 5. FINANCE COSTS

	For the three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank and other borrowings		
wholly repayable within five years	2,341	4,606
Imputed interest expenses wholly repayable within five years		
– convertible notes	3,201	2,237
– promissory notes	–	1,508
	<b>5,542</b>	<b>8,351</b>

## 6. 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	10	–
Cost of inventories recognised as expense	48,572	70,762
Depreciation	1,397	904
Change in fair value of financial assets at		
fair value through profit or loss	122	–
Loss on early redemption of convertible notes	–	1,946
Equity settled share-based payment expenses*	–	3,307
Employee benefit expense (including		
share-based payment expenses)	10,002	12,915
Operating lease rentals in respect of rented premises	11,825	12,090

\* Equity-settled share-based payment expenses include Nil (three months ended 31 March 2012: HK\$3,307,000) relating to staff benefit expense.



## 7. INCOME TAX CREDIT

	For the three months ended 31 March	
	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current income tax		
– Hong Kong	–	(300)
– Singapore	(187)	(216)
Deferred tax	202	702
	15	186

No income tax has been provided for Hong Kong as there is no estimated assessable profit derived from Hong Kong. During the three months ended 31 March 2013, Hong Kong profits tax rate is 16.5% (three months ended 31 March 2012: 16.5%).

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit for the three months ended 31 March 2013 (three months ended 31 March 2012: 17%).

No income tax has been provided for PRC and Macau as there is no estimated assessable profit derived from PRC and Macau during the three months ended 31 March 2013 and 2012.

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 2013 and 2012.

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013 and 2012.

## 9. LOSS PER SHARE

The calculations of basis loss per share for the three months ended 31 March 2013 are based on the unaudited consolidated loss of HK\$13,297,000 (three months ended 31 March 2012: Loss of HK\$14,857,000) attributable to owners of the Company for the three months ended 31 March 2013 and on the weighted average number of 1,018,065,000 ordinary shares (three months ended 31 March 2012: 864,855,000 shares) in issue during the period.

For the three months ended 31 March 2013 and 2012, 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 2013	348,344	3,988	24,692	8,408	(830)	(1,033)	(129,465)	254,104
Share options forfeited	-	-	-	(300)	-	-	300	-
Transactions with owners	-	-	-	(300)	-	-	300	-
Loss for the period	-	-	-	-	-	-	(13,297)	(13,297)
Other comprehensive income								
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(1,094)	-	(1,094)
Total comprehensive income for the period	-	-	-	-	-	(1,094)	(13,297)	(14,391)
At 31 March 2013	348,344	3,988	24,692	8,108	(830)	(2,127)	(142,462)	239,713
	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 gain 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

## MANAGEMENT DISCUSSION AND ANALYSIS

Larry Jewelry enjoys a unique position in the competitive jewelry market. It is an iconic Asian luxury brand with its value built on its exquisite design and superb craftsmanship to perpetuate a long time heritage.

### BUSINESS REVIEW

The beginning of 2013 faced a complicated and volatile economic environment globally, coupled with the closure of the Group's Pacific Place store in July 2012 and scaling down of non-core operations, the Group experienced reduction in sales by 25.9% in the first quarter of 2013 in comparison with the corresponding period in 2012. The Group's same store sales were decreased by approximately 10.9% amid a challenging economic environment. Thanks to the swift actions taken in such circumstances, the Group only recorded a drop of 8.2% in gross profit through enforcing better controls over the sales process. Moreover, the Group exercised stringent cost control to contain the operating loss incurred at similar level as the first three months of 2012.

The Group dedicated its efforts to maximizing its value with the lowest possible cost. To solidify its financial power, the Group successfully reduced its finance costs during the period with the replacement of short-term borrowings by the facilities of GE Capital secured in July 2012, enabling the Group to allocate more resources in the promotion of Larry Jewelry brand. In April 2013, the Group announced an open offer to enhance its working capital and strengthen its capital base and financial position. This demonstrated the supports from its shareholders and provided an opportunity for all shareholders to take part and participate in the long-term growth of Larry Jewelry.

With the additional resources, the Group is now in the position to embark on the rising opportunity to realize the full potential of the market in China. The Group's first Beijing VIP lounge is all set and ready to be launched in the second quarter of 2013, marking its determination to promote luxury, hand-crafted works of art in the market. At the same time, the Group will continue to seek potential locations for new stores and strengthen its strategic alliance with its partners.

To further drive its sales, the next strategic move for the Group will be its brand re-launch program to rejuvenate the brand with an energetic and younger image for customers who value having their own styles, drawing new customers while injecting excitements for its existing customers. To achieve, the Group will be taking initiatives to collaborate with designers around the world to launch new designs and collections, propelling the brand to a whole new level.

As its focus shift to the retail business and the extensive re-branding program targeting to kick off in the third quarter of 2013, the Group allocated more resources to the Larry Jewelry business and scale back the other operations, aiming to maximize its returns for the shareholders in the near future.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the three months ended 31 March 2013 was approximately HK\$68,653,000 as compared to approximately HK\$92,648,000 for the corresponding period last year. This represents a reduction of approximately 25.9% which was mainly attributed to closure of the Pacific Place store (HK\$10,664,000 in 2012); slowdown in the wholesale segment (HK\$485,000 in 2013 in comparison to approximately HK\$4,227,000 in 2012) and lower sales in the remaining stores (HK\$68,168,000 in 2013 as compared to HK\$76,513,000 in 2012).

### Gross Profit

The gross profit for the period was approximately HK\$20,081,000 as compared to approximately HK\$21,886,000 for the three months ended 31 March 2012, represents a reduction of 8.2%. The gross margin of the Group as reported in the consolidated income statement was 29.2% in comparison to 23.6% in the first three months of 2012. In preparing the consolidated income statement, the cost of the Sharp Wonder's inventories as at 19 July 2011 (the "Acquired Inventories") was recorded at fair market value which was 17.9% higher than the historical cost. As the proportion of the Acquired Inventories in the overall cost of goods sold has significantly reduced during 2012, there was a significant increase in the reported gross margin.

If all the inventories were recorded based on historical cost level, the Group's gross profit was approximately HK\$21,288,000 for the three months ended 31 March 2013 as compared to approximately HK\$26,098,000 for the corresponding period last year. There was an improvement in the Group's gross margin from 28.2% in 2012 to 31.0% in 2013 if all the inventories were recorded based on historical cost level.

### Other Income

The Group's other income for the three months ended 31 March 2013 was approximately HK\$171,000 compared to HK\$5,430,000 for the corresponding period last year. The reduction was due to the fact that the other income in 2012 was attributed to insurance compensation received and increase in fair value of financial assets following change in the terms of the underlying financial instruments which were non-recurring in nature.

## **Selling and Distribution Costs**

Following the closure of the Pacific Place store and scale back of other operations, the distribution costs of the Group decreased to HK\$15,988,000 for the first three months of 2013 as compared to HK\$18,236,000 for the corresponding period in 2012. The key components of the distribution costs are rental expenses and marketing expenses.

## **Administrative Expenses**

The Group's administrative expenses for the three months ended 31 March 2013 decreased by 23.7% to approximately HK\$12,034,000 compared to approximately HK\$15,772,000 for the corresponding period in 2012. The main reduction was due to savings in equity settled share-based staff benefit expenses (nil in 2013; approximately HK\$3,307,000 in 2012). Management will continue to control the administrative expenses to reduce the overall costs of the Group.

## **Finance Costs**

The finance costs of the Group for the three months ended 31 March 2013 have reduced to approximately HK\$5,542,000 as compared to HK\$8,351,000 for the corresponding period last year. The decrease was achieved by replacing the short-term borrowings with facility of GE Capital and reduction in the overall debt level.

## **Loss Attributable to the Owners of the Company**

Loss attributable to owners of the Company was HK\$13,297,000 for the three months ended 31 March 2013 compared to loss of HK\$14,857,000 for the corresponding period last year. Management will enact a series of marketing activities in the coming months to improve profitability of the Group.



## OUTLOOK

Beyond short-term initiatives imposed by current economic environment, the Group will continue to implement its continuing growth strategy, cementing Larry Jewelry's position as an Asian fine jewelry. To ensure the brand carrying a strong message of quality and its pursuit of eternity, the Group will put efforts in the following initiatives:

### 1) Injection of Freshness through Brand Re-launch

- To highlight the fact that the Larry Jewelry brand is well-recognized in Hong Kong and Singapore for its extraordinary quality and craftsmanship, the Board takes a step to launch its new brand identity in the third quarter of 2013. The first stage of the brand re-launch will be revealed at major extravagant events in town where the distinctive new designs and collections being unveiled to its valuable guests and customers, elevating the perception of Larry Jewelry as an authentic luxury brand in Asia.

### 2) Launch of New Designs and Collections

- Crucial to the re-launch campaign, the most essential element is a renewed focus on the Group's innovation pipeline. The Group continues to look for seasoned designers of top fashion labels, which dovetail the philosophy of the Group to offer timeless products, and launch collaboration collections, ensuring the designs are unique and closely following the latest fashion trend. The Group will also strengthen its offerings in the male segment, further broadening its customer base.

### 3) Brand Building Campaigns

- Eyeing on the emerging purchasing power of customers in China, the Group will invest more resources in marketing campaigns to promote its uniqueness in design, craftsmanship and its value for money, awakening the potential customers with the exceptional appeal as a prestigious brand. The Group will also organize tailored events for selected customers, allowing them to have a sneak preview of Larry Jewelry's latest collections designed just for them.

### 4) Expansion of Distribution Channels across Asia

- Following the success of joint venture with Oriental Watch Holdings Limited with the "shop-in-shop" format, the Group will continue to look for prime locations to set up standalone stores as well as to identify strategic partners to enhance its retail exposure in Hong Kong, Macau, Mainland China and Southeast Asia. Upon its first VIP lounge opened in Beijing in the first half of 2013, the Group will explore outreach events in targeted cities in both China and Asia, extending its reach across the region. It has a plan in place to open two new stores in the next two year.

The economic environment we are living through is rather challenging, yet it provides an opportunity for the Group to emphasize its fundamentals and heritage of excellence. The initiatives that the Group is currently taking allows it to gain market share by reaching beyond Hong Kong and Singapore and to explore its enormous market potential in China and Southeast Asia, rejuvenating the Larry Jewelry brand filled with creativity and new excitements.

## FACILITY AGREEMENT WITH GE CAPITAL

On 4 July 2012, Larry Jewelry (1967) Pte. Limited and Larry Jewelry Limited, both being wholly owned subsidiaries of the Company (the “Borrowers”), and the Company as one of the guarantors with other subsidiaries of the Company have entered into a facility agreement (the “Facility Agreement”) with GE Capital Services Pte Ltd and GE Commercial Finance (Hong Kong) Limited (collectively, “GE Capital” or the “Lenders”), in relation to the provision of facilities in an aggregate amount up to HK\$234 million (the “Facilities”) to the Group.

The Facilities have a maturity period of three years from the date of the first drawdown under the Facility Agreement. On 17 July 2012, the Borrowers have made the first drawdown under the Facilities provided by GE Capital.

Pursuant to terms of the supplemental agreement to the Facility Agreement, which has been agreed and signed by the Lenders and the Company on 14 March 2013, each of the following will constitute an event of default upon which the facility will, among others, become immediately due and payable:

- (1) Ms. Tsang Po Yee Pauline, who is a director of the Company, and any other individuals who, at the date of the Facility Agreement, own (directly or indirectly) any of the issued share capital of Fullink Management Limited (“Fullink”), cease to collectively hold (directly or indirectly) 51% of the issued share capital of Fullink; and
- (2) the persons who, at the date of the Facility Agreement, have control of an obligor under the Facility Agreement (the “Obligor”) cease to have control of the Obligor, or one or more other persons acquire control of an Obligor after the date of the Facility Agreement, in either case without the prior written consent of the Lenders.



## 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 2013, details of the options granted under the Share Option Scheme and the General Mandate were as follows:

Grantee	Outstanding as at 1 January 2013	Number of share options				Outstanding as at 31 March 2013	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. Tam B Ray Billy	5,810,000	-	-	-	-	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750
Employees	7,300,000	-	-	-	-	7,300,000	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.770
	18,920,000	-	-	-	-	18,920,000			
<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	-	-	(17,000,000)	-	30,000,000			
<b>Total</b>	65,920,000	-	-	(17,000,000)	-	48,920,000			



## 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 2013, 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 to 5.67 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	0.57%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.750	5,810,000	0.57%
Total				11,620,000	1.14%

Save as disclosed above, as at 31 March 2013, 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 31 March 2013, 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:

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	193,336,000	18.99%
Fullink Management Limited (Note 1)	Beneficial owner	181,000,000	17.78%
Mr. Tsang, Michael Man-heem (Note 1)	Interest of controlled corporation	181,000,000	17.78%
Lico Consultancy Limited (Note 2)	Beneficial owner	150,650,000	14.80%
Dr. Ina Chan Un Chan (Note 2)	Interest of controlled corporation	150,650,000	14.80%
Asia Private Credit Fund Limited	Beneficial owner	52,860,000	5.19%

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 and 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang Po Yee Pauline (an executive Director) is a director of Fullink Management Limited.
- Lico Consultancy Limited is wholly and beneficially owned by Dr. Ina 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%
Dr. Ina 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 Dr. Ina Chan Un Chan.

Save as disclosed above, as at 31 March 2013, 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 2013.

## 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 2013.

## 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 four independent non-executive directors of the Company, namely Mr. Chan Tze Ching Ignatius, Mr. Fung Shing Kwong, Mr. Lau Wan Pui Joseph and Mr. Wong Tat Tung. The unaudited consolidated results of the Group for the three months ended 31 March 2013 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, 10 May 2013

*As at the date of this report, the Board comprises Ms. Tsang Po Yee Pauline as executive director, Mr. Tam B Ray Billy and Mr. Cheng Ping Yat as non-executive directors, Mrs. Chow Liang Shuk Yee Selina as chairman and independent non-executive director, and Mr. Chan Tze Ching Ignatius, Mr. Fung Shing Kwong, Mr. Lau Wan Pui Joseph and Mr. Wong Tat Tung as independent non-executive directors.*