



LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351



INTERIM REPORT 2013

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”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2013 together with the unaudited comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	3	62,927	77,712	131,580	170,360
Cost of sales		(44,001)	(56,845)	(92,573)	(127,607)
Gross profit		18,926	20,867	39,007	42,753
Other income	3	827	234	998	3,416
Selling and distribution costs		(17,045)	(18,312)	(33,033)	(36,548)
Administrative expenses		(10,588)	(25,930)	(22,622)	(39,454)
Operating loss		(7,880)	(23,141)	(15,650)	(29,833)
Finance costs	5	(6,154)	(7,124)	(11,696)	(15,475)
Loss before income tax	6	(14,034)	(30,265)	(27,346)	(45,308)
Income tax credit/(expense)	7	111	(83)	126	103
Loss for the period attributable to the owners of the Company		(13,923)	(30,348)	(27,220)	(45,205)
Loss per share for loss attributable to the owners of the Company during the period – Basic and diluted (HK cents)	9	(1.28)	(3.37)	(2.51)	(5.03)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2013

	Three months ended		Six months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to the owners of the Company	(13,923)	(30,348)	(27,220)	(45,205)
Other comprehensive income				
Exchange (loss)/gain on translation of financial statements of foreign operations	(2,019)	(1,088)	(3,113)	2,094
Total comprehensive income for the period attributable to the owners of the Company	(15,942)	(31,436)	(30,333)	(43,111)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	4,997	7,180
Goodwill		43,736	43,736
Intangible assets		79,000	79,000
Deposits		10,515	9,888
Financial assets at fair value through profit or loss		59	229
		138,307	140,033
Current assets			
Inventories	11	306,937	302,838
Trade receivables	12	1,410	4,681
Prepayments, deposits and other receivables		6,449	7,467
Tax recoverable		-	801
Pledged bank deposits		27,800	28,084
Bank and cash balances		31,236	15,115
		373,832	358,986
Current Liabilities			
Trade payables	13	21,917	23,107
Other payables and accruals		16,950	20,845
Borrowings	14	122,309	107,688
Convertible notes	15	54,391	-
Provision for tax		1,522	2,591
		217,089	154,231
Net current assets		156,743	204,755
Total assets less current liabilities		295,050	344,788
Non-current liabilities			
Deferred tax liabilities		14,511	15,022
Convertible notes	15	14,233	65,481
		28,744	80,503
Net assets		266,306	264,285
EQUITY			
Equity attributable to the owners of the Company			
Share Capital	16	13,235	10,181
Reserves		253,071	254,104
Total equity		266,306	264,285

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Share capital	Share premium	Convertible Capital contribution reserve	Convertible notes equity reserve	Share option reserve	Merger reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 31 December 2012 and 1 January 2013	10,181	348,344	3,988	24,692	8,408	(830)	(1,033)	(129,465)	264,285
Transfer on redemption of convertible notes	-	-	-	(606)	-	-	-	606	-
Issue of shares	3,054	30,542	-	-	-	-	-	-	33,596
Share issue expenses	-	(1,242)	-	-	-	-	-	-	(1,242)
Share options forfeited	-	-	-	-	(622)	-	-	622	-
Transactions with owners	3,054	29,300	-	(606)	(622)	-	-	1,228	32,354
Loss for the period	-	-	-	-	-	-	-	(27,220)	(27,220)
Other comprehensive income									
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,113)	-	(3,113)
Total comprehensive income for the period	-	-	-	-	-	-	(3,113)	(27,220)	(30,333)
At 30 June 2013	13,235	377,644	3,988	24,086	7,786	(830)	(4,146)	(155,457)	266,306



	Share capital	Share premium	Convertible Capital contribution reserve	Convertible notes equity reserve	Share option reserve	Merger reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group									
Balance as at									
31 December 2011									
and 1 January 2012	8,649	236,005	3,988	17,206	8,683	(830)	(6,360)	(74,112)	193,229
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	1,532	116,440	-	-	-	-	-	-	117,972
Share issue expenses	-	(3,978)	-	-	-	-	-	-	(3,978)
Recognition of equity-settled share-based payments	-	-	-	-	3,307	-	-	-	3,307
Transactions with owners	1,532	112,462	-	7,486	3,307	-	-	12,125	136,912
Loss for the period	-	-	-	-	-	-	-	(45,205)	(45,205)
Other comprehensive income									
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	2,094	-	2,094
Total comprehensive income for the period	-	-	-	-	-	-	2,094	(45,205)	(43,111)
At 30 June 2012	10,181	348,467	3,988	24,692	11,990	(830)	(4,266)	(107,192)	287,030



CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2013

	Six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(24,285)	(59,500)
Net cash used in investing activities	(199)	(24,848)
Net cash generated from/(used in) financing activities	43,708	(1,457)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,224	(85,805)
Cash and cash equivalents as at the beginning of the period	15,115	123,324
Effect of foreign exchange rate changes	(3,103)	1,901
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD	31,236	39,420
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	31,236	39,420



NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 is located at 13/F., Pacific House, 20 Queen’s Road Central, Hong Kong. The Company’s shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 activity of its subsidiaries (together with the Company referred to as the “Group”) 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 consolidated 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 unaudited consolidated financial statements have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value as appropriate.

The principal accounting policies used in the preparation of these unaudited consolidated financial statements 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.

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		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sales	62,927	77,712	131,580	170,360
Other income				
Exchange gain, net	-	-	-	653
Gain on early redemption of convertible notes	451	-	451	-
Interest income	16	1	16	3
Management fee income	-	193	-	387
Reversal of provision of impairment on trade receivables	152	-	233	138
Sundry income	208	40	298	2,235
	827	234	998	3,416



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.

	2013			
	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	622	130,958	-	131,580
Segment loss before income tax	(22)	(15,413)	(11,911)	(27,346)
Segment assets	19,506	321,022	171,611	512,139
Segment liabilities	720	42,745	202,368	245,833

	2012			
	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	4,577	165,783	-	170,360
Segment profit/(loss) before income tax	1,072	(5,720)	(40,660)	(45,308)
Segment assets	26,403	399,517	140,949	566,869
Segment liabilities	895	101,498	177,446	279,839

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:

	Six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Southeast Asia	74,295	86,009
Greater China (include Hong Kong and Macau)	57,285	84,107
Others	-	244
	131,580	170,360

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) (2012: Nil). The country of domicile is the country where the Company was incorporated.

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on bank and other borrowings wholly repayable within five years	2,481	2,174	4,822	6,780
Imputed interest expenses wholly repayable within five years				
– convertible notes	3,673	3,896	6,874	6,133
– promissory notes	-	1,054	-	2,562
	6,154	7,124	11,696	15,475



6. LOSS BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:				
Auditors' remuneration	300	681	310	681
Cost of inventories recognised as expense	44,001	56,845	92,573	127,607
Depreciation	1,241	1,035	2,638	1,939
Loss on disposals of property, plant and equipment	34	59	34	59
Loss of inventories	-	128	-	128
Loss on early redemption of convertible notes	-	5,162	-	7,108
Change in fair value of financial assets at fair value through profit or loss	48	8,805	170	7,215
Equity settled share-based payment expenses	-	-	-	3,307
Employee benefit expense, including - Share-based payment expenses	9,896	8,243	19,898	21,158
Operating lease rentals in respect of rented premises	11,307	11,645	23,132	23,735

7. INCOME TAX CREDIT/(EXPENSE)

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
- Hong Kong	-	99	-	(201)
- Singapore	(198)	(519)	(385)	(735)
Deferred tax	309	337	511	1,039
	111	(83)	126	103

No income tax has been provided for Hong Kong as there is no estimated assessable profit derived from Hong Kong. During the three months and six months ended 30 June 2013 and 2012, Hong Kong profits tax rate is 16.5% (three months and six months ended 30 June 2012: 16.5%).

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit for the three months and six months ended 30 June 2013 (three months and six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 2013 and 2012.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 and 2012.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company for the three months and six months ended 30 June 2013 of HK\$13,923,000 (2012: HK\$30,348,000) and HK\$27,220,000 (2012: HK\$45,205,000) and the weighted average number of 1,083,873,000 (2012: 899,341,000) ordinary shares in issue during the period.

For the three months and six months ended 30 June 2013 and 2012, basic loss per share is same as diluted loss per share as there was no dilutive ordinary share.

10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group spent approximately HK\$499,000 (six months ended 30 June 2012: approximately HK\$2,901,000) on acquisition of property, plant and equipment.



11. INVENTORIES

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Raw materials	49,669	48,990
Work in progress	10,297	4,511
Finished goods	246,971	249,337
	306,937	302,838

12. TRADE RECEIVABLES

Ageing analysis of the Group's trade receivables as at the reporting dates based on the invoice dates is as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Within 30 days	1,195	4,647
31 – 60 days	129	15
61 – 90 days	44	–
91 – 180 days	–	1
181 – 365 days	–	4
Over 1 year	42	14
	1,410	4,681



13. TRADE PAYABLES

Ageing analysis of the Group's trade payables as at the reporting dates based on the invoice dates is as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Within 30 days	17,446	11,851
31 – 60 days	3,459	10,471
61 – 90 days	991	743
91 – 180 days	21	39
181 – 365 days	–	3
	21,917	23,107

14. BORROWINGS

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Borrowings wholly repayable within one year and classified as current liabilities		
Other loan, unsecured (i)	10,000	–
Borrowings wholly repayable more than one year but not exceeding two years and classified as current liabilities		
Bank loan, net of issuance expenses and secured (ii)	37,439	–
Borrowings wholly repayable more than two years but not exceeding five years and classified as current liabilities		
Bank loan, net of issuance expenses and secured (ii)	–	43,333
Other loan, net of issuance expenses and secured (iii)	74,870	64,355
	122,309	107,688



- (i) On 22 March 2013, the Group entered into a loan agreement with a non-financial institution to borrow a fund of HK\$10,000,000, which bears interest at the rate of 8% per annum and is repayable by 5 monthly instalments starting from July 2013.
- (ii) On 26 April 2012, the Group drawn down a bank loan of HK\$50,000,000, which bears interest at the rate of 3% per annum over HIBOR and is repayable by 36 monthly instalments starting from May 2012. The outstanding amount of the bank loan that is not scheduled to repay within one year is classified as current liabilities as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. The bank loan is secured by a time deposit of HK\$20,000,000.
- (iii) 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"), 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.

The Facilities carry interest rate at 3-month Hong Kong Dollar HIBOR rate plus 4.35% per annum and 3-month Singapore Dollar SIBOR rate plus 4.35% per annum in respect of drawing in Hong Kong Dollars and drawing in Singapore Dollars respectively.

On 17 July 2012, Borrowers have made the first drawdown under the Facilities provided by GE Capital.

The Group has classified the liability as current because, at the end of the reporting period, it did not have an unconditional right to defer its settlement for at least twelve months after that date.

15. CONVERTIBLE NOTES

- (a) On 11 July 2011, an aggregate principal amount of HK\$54,000,000 of the convertible notes ("CN1") were issued to the placees with the conversion price of HK\$1.50 per conversion share, which bear interest at the rate of 2% per annum and will be redeemed by the Company on 11 July 2014 at 120% of its principal amount.

During the six months ended 30 June 2013, the Company redeemed total principal amount of HK\$2,000,000 of CN1 for a total consideration of HK\$1,600,000, resulting in a gain of approximately HK\$451,000 from the redemption, which was recognized in profit or loss. As at 30 June 2013, the principal amount of HK\$12,000,000 (31 December 2012: HK\$14,000,000) of CN1 remained outstanding.

On 23 May 2013, the conversion price of CN1 had been adjusted to HK\$1.31 per conversion share upon the completion of the Open Offer of the Company as detailed in Note 16.

- (b) On 8 September 2011, a zero coupon convertible notes in the principal amount of HK\$2,000,000 ("CN2") were issued, as a part of the consideration for the acquisition of Parkwell Asia Limited. CN2 bear no interest and were issued with the conversion price of HK\$1.00 per conversion share and will be redeemed by the Company on 8 September 2014 at 100% of its principal amount.

On 23 May 2013, the conversion price of CN2 had been adjusted to HK\$0.87 per conversion share upon the completion of the Open Offer of the Company as detailed in Note 16.

- (c) On 22 March 2012, an aggregate principal amount of HK\$56,000,000 of the convertible notes ("CN3") were issued to the placees with the conversion price of HK\$0.80 per conversion share, which bear interest at the rate of 3% per annum and will be redeemed by the Company on 22 March 2014 at 110% of its principal amount.

On 23 May 2013, the conversion price of CN3 had been adjusted to HK\$0.70 per conversion share upon the completion of the Open Offer of the Company as detailed in Note 16.



Movement of liability component for the period from 1 January 2013 to 30 June 2013 is as follows:

	CN1	CN2	CN3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2013	13,233	1,806	50,442	65,481
Imputed interest expenses	1,190	55	5,629	6,874
Interest paid	-	-	(1,680)	(1,680)
Redemption of convertible notes	(2,051)	-	-	(2,051)
At 30 June 2013	12,372	1,861	54,391	68,624

16. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Authorised:		
At 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2013, ordinary shares of HK\$0.01 each	1,018,064,500	10,181
Issue of shares (note)	305,419,350	3,054
At 30 June 2013, ordinary share of HK\$0.01 each	1,323,483,850	13,235

Note:

On 23 May 2013, a total of 305,419,350 new ordinary shares of the Company were issued at HK\$0.11 each as a result of the Open Offer to the shareholders of the Company, on the basis of three offer shares for every ten shares held by the shareholders.

17. COMMITMENTS

Operating Lease Commitments

As at 30 June 2013, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Within one year	44,191	45,044
In the second to fifth years inclusive	27,624	45,052
	71,815	90,096

Operating lease payments represent rentals payable by the Group for office premises and retail shops. The leases run for initial periods of 2 – 3 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the unaudited consolidated financial statements, the Group had the following transactions with related parties:

	As at 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Management income	–	387
Rental expenses paid	7,857	7,200

These transactions were conducted in the ordinary course of business and negotiated at terms agreed between the parties.

19. EVENTS AFTER THE REPORTING DATE

On 16 July 2013, a total of 172,970,900 new ordinary shares of the Company were issued at the subscription price of HK\$0.22 per share.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Amid lingering uncertainty in the global economy, the Group experienced a 22.8% reduction in sales during the first half of 2013 compared to the same period last year. The Group's same store sales (SSS) decreased by approximately 5.9% as a result of the challenging economic environment. The year on year comparison was affected by the closure of the Group's Pacific Place store in July 2012. Going forward, the Group's SSS will more accurately reflect year on year growth, as the first half of 2013 is the last remaining reporting period in which SSS is indirectly compared. The Group's Singapore stores continued to record satisfactory results. Owing to the tightening of sales process controls in the first quarter, the Group recorded a 8.8% decrease in gross profit. In view of the challenging operating environment, the Group continued to implement stringent cost saving measures throughout the first half of the year in a move to strengthen the Group's financial footing. These measures helped to maintain the operating loss (excluding non-operating items) incurred by the Group at similar level as seen in the first six months of 2012.

The Group saw an increase in gross profit margin during the first half of the year primarily as a result of selling more uniquely designed products. The Group offers a wide range of jewelry products including those featuring diamonds, precious gems and pearls; during the first half of 2013, Larry Jewelry introduced a variety of collections demonstrating unique designs and rare stones, to attract new and existing customers including the Lazare, Cosmo and the Yellow diamond range.

In the second quarter, the Group opened its first VIP lounges in the Legendale Hotel, Beijing and in Soundwill Plaza, Hong Kong. The VIP lounges are designed to provide customers with the ultimate luxury experience. The lounges feature dedicated viewing areas and offer personalized services including personal jewelry consultations, custom-made jewelry and complimentary light refreshments. By embarking on its China strategy, the Group is poised to realize the full potential of the burgeoning Chinese consumer market. Indeed, China has become the second-largest jewelry market in the world after the United States, and the growing affluence of Mainland Chinese consumers in terms of increasing disposable income, combined with growing demand for luxury goods looks set to continue to drive demand for luxury jewelry for the foreseeable future, offering huge potential in not only first, but also second and third tier cities, all of which are markets that Larry Jewelry is currently under represented.

The Group completed its Open Offer to the shareholders of the Company, on the basis of three offer shares for every ten shares held by the shareholders and the subscription of 172,970,900 Shares at the Subscription Price of HK\$0.22 per Subscription Share by Diamond Well International Limited in 2013. The total net proceeds for the two transactions were approximately HK\$70,180,000. The proceeds will be used for new initiatives, to commission new designs, product development, and business expansion as part of the re-branding and rejuvenation initiative previously discussed, with particular emphasis on establishing and growing the Group in mainland China.

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2013 was approximately HK\$131,580,000 compared to approximately HK\$170,360,000 recorded in the corresponding period last year. This represents an approximately 22.8% decrease, which was mainly attributed to the closure of the Pacific Place store, a slowdown in the wholesale segment and lower sales in the remaining stores (HK\$138,787,000 for the six months ended 30 June 2013 compared to approximately HK\$147,508,000 for the corresponding period last year).

Gross Profit

Gross profit for the period was approximately HK\$39,007,000, down 8.8% from approximately HK\$42,753,000 in the corresponding period last year. The Group's gross profit margin as reported in the consolidated income statement was 29.6% compared to 25.1% in the first half of last year. 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 was significantly reduced during 2012, there was a significant increase in the reported gross margin.

If inventory was recorded based on historical cost levels, the Group's gross profit was approximately HK\$40,853,000 for the six months ended 30 June 2013 compared to approximately HK\$48,991,000 for the corresponding period in the previous year. There was an improvement in the Group's gross margin, which increased from 28.8% in 2012 to 31.0% in 2013 if inventory was recorded based on historical cost levels.



Other income

The Group's other income for the six months ended 30 June 2013 was approximately HK\$998,000 compared to HK\$3,416,000 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 exchange gains due to the favourable movement of the Singapore Dollar to Hong Kong Dollar exchange rate, which were non-recurring in nature.

Selling and Distribution Expenses

Following the closure of the Pacific Place store and the scaling back of other operations, the Group's distribution costs decreased to HK\$33,033,000 for the six months ended 30 June 2013 as compared to HK\$36,548,000 for the corresponding period last year. The key components of the distribution costs are rental expenses for the shops and marketing expenses.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2013 decreased by 42.7% to approximately HK\$22,622,000 compared to approximately HK\$39,454,000 for the corresponding in the previous year. Excluding non-operating items such as the change in fair value of financial assets at fair value through profit or loss, loss on the early redemption of convertible notes and equity settled share-based staff benefit expenses, the Group's administrative expenses for the six months ended 30 June 2013 increased by 2.9% to approximately HK\$22,452,000 compared to approximately HK\$21,824,000 for the corresponding period last year.

Finance Costs

The Group reduced its finance costs for the six months ended 30 June 2013 to approximately HK\$11,696,000 compared to HK\$15,475,000 for the corresponding period in the previous year. The decrease was achieved by replacing the short-term borrowings with the facility from GE Capital and reducing the Group's overall debt level.

Loss Attributable to the Owners of the Company

The loss attributable to the owners of the Company was HK\$27,220,000 for the six months ended 30 June 2013 compared to a loss of HK\$45,205,000 for the corresponding period in the previous year. Management expects that the re-branding activities in the coming months will improve the sales and profitability of the Group.

Liquidity and Financial Resources

The Group's current ratio as at 30 June 2013 was 1.7 times compared with 2.3 times as at 31 December 2012. This is mainly as a result of the convertible notes of the principal amount of HK\$56,000,000, which were classified as non-current liabilities as at 31 December 2012, being re-classified as current liabilities as at 30 June 2013. (This is mainly due to a portion of the convertible notes amounted to HK\$56,000,000 which is due within the next 12 months/this financial year being reclassified as current liabilities as at 30 June 2013).

As at 30 June 2013, the Group had aggregate cash and bank balances, and pledged bank deposits of approximately HK\$59.0 million (31 December 2012: HK\$43.2 million). Total borrowings amounted to approximately HK\$190.9 million (31 December 2012: HK\$173.2 million). Total net borrowings were HK\$131.9 million (31 December 2012: HK\$130.0 million). The Group's net gearing ratio increased from 49.2% as at 31 December 2012 to 49.5% as at 30 June 2013.

The maturity of the borrowings of the Group as at 30 June 2013 is set out as follows:

Principal Amount of the Borrowings	<i>HK\$'000</i>
Borrowings	
Within 1 year	10,000
Between 1 and 2 years	37,500
Between 2 and 5 years	79,997
Convertible notes	
Within 1 year	56,000
Between 1 and 2 years	14,000

The Group completed a capital raising exercise during the reporting period to strengthen its financial position. For details, please refer to the "Capital Raising" section below. Management is involved in ongoing discussions with investors and financial institutions to further enhance its financial resources.

Capital Raising

On 23 May 2013, a total of 305,419,350 new ordinary shares of the Company were issued at HK\$0.11 each as a result of the Open Offer to the shareholders of the Company, on the basis of three offer shares for every ten shares held by the shareholders.



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.

OUTLOOK

Going forward, the Group has substantial plans to continue achieving growth and to firmly establish Larry Jewelry as one of the finest Asian jewelers, rejuvenating the Larry Jewelry brand and propelling the Group into a new era.

Looking ahead, we expect the business environment will continue to be challenging; however, the management is confident that the strategic initiatives being implemented will have a positive impact on the Group, ensuring that the Larry Jewelry brand remains fresh and attractive to both new and existing customers.

The Group will continue to apply the cost-control measures that were put in place during the first half of the year and will remain dedicated to improving same-store sales and inventory turnover through the introduction of new products and marketing campaigns.

As part of its strategic plan to grow sales and firmly establish Larry Jewelry as one of the most recognizable and respected Asian jewelers, the Group will to introduce a higher concentration of distinctive new jewelry designs and exciting new collections from the Group's designers, which will better represent the brand.

The Group will also collaborate with world famous designers that share Larry Jewelry's values and inherit a similar heritage, in order to launch new designs and collections, driving the brand to a whole new level, increasing its appeal among existing customers and a more youthful, cosmopolitan target audience.

The collaborative collections will showcase the unique talents of each designer while remaining true to the quality and craftsmanship that Larry Jewelry is renowned for. Each of these special collections will complement the Group's seasonal collections, injecting freshness and vitality into the brand. The first of these collaborations is set to be with Barney Cheng.

In order to improve Larry Jewelry's front-of-mind positioning among jewelry consumers and publicize the increase of unique, own-design items on sale, the Group will focus on implementing more substantial marketing initiatives. Over time, this will include employing a more comprehensive advertising strategy and the redevelopment of brand and marketing resources.

The Group is also mindful that at present, there is no one-brand occupying absolute market share in China and that the market concentration ratio is low. The Group believes this is an optimal time to explore expansion into China. In line with its current expansion strategy to grow its distribution channels, the Group continues to look for prime store locations in China and will make use of its extensive network of contacts to identify potential opportunities and possibilities for cooperative ventures in China that could deliver valuable synergies to the Group in the future.

Despite a slowdown in the pace of growth in 2012, China's jewelry industry still recorded a total sales revenue of approximately RMB400 billion. In order to capitalize on this booming market, the Group will continue to employ its VIP lounge strategy in China, the perfect showcase to promote Larry Jewelry's unique designs and exceptional craftsmanship.



CONNECTED TRANSACTIONS

During the six months ended 30 June 2013, the Group entered into the following connected transactions with its connected persons:

HK\$'000

Total rental expenses	7,857
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SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2013 and there is no plan for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2013.

EVENTS AFTER THE REPORTING DATE

On 16 July 2013, a total of 172,970,900 new ordinary shares of the Company were issued at the subscription price of HK\$0.22 per share.

CHARGES ON GROUP ASSETS

- (a) At 30 June 2013, debentures were executed by the Group in favour of GE Capital charging, by way of fixed and floating charges, all of the undertakings, properties, assets and revenues of the Company and of its 10 subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.
- (b) At 30 June 2013, the Group pledged all rights, titles and interests in 100% of the entire share capital of its 10 subsidiaries and all benefits accruing to the pledged equity interest to GE Capital as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.

- (c) As at 30 June 2013, the banking facilities provided by the Group's banks were secured by the pledged bank deposits of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and Singapore and most of the transactions are denominated in HK\$, United States Dollars ("US\$") and Singapore Dollars ("SGD"). Exposure to currency exchange rates arises from the Group's overseas sales and purchases. Accordingly, the Board is of the view that the Group is exposed to foreign currency exchange risk. In particular, fluctuation of exchange rates of SGD against HK\$ could affect the Group's operational results.

To mitigate the impact of exchange rate fluctuations on the Group's results, the facility with GE Capital is divided into two tranches (one facility is denominated in HK\$ while the other is denominated in SGD), so that it matches closely with the funding requirements and foreign exchange exposure of the Group. Furthermore, the Group's management used certain foreign currency forward contracts to hedge the exposure to foreign exchange risk for settling payments to overseas suppliers.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies with stringent credit control and monitoring policies. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that it can meet the funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 98 (31 December 2012: 102) employees, including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2013 were approximately HK\$19,898,000 (six months ended 30 June 2012: HK\$21,158,000) including share-based payments of HK\$Nil (six months ended 30 June 2012: HK\$3,307,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees as well as share option scheme.



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

Grantee	Number of share options						Outstanding as at 30 June 2013	Date of grant	Exercise period	Exercise price (Note)
	Outstanding as at 1 January 2013	Adjustments (Note)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
(i) Under Share Option Scheme										
<i>Directors</i>										
Ms. Tsang Po Yee	5,810,000	923,790	-	-	-	-	6,733,790	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.647
Pauline										
Mr. Tam B Ray Billy	5,810,000	923,790	-	-	-	-	6,733,790	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.647
Employees	7,300,000	1,160,700	-	-	(1,159,000)	-	7,301,700	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.664
	18,920,000	3,008,280	-	-	(1,159,000)	-	20,769,280			
(ii) Under General Mandate										
Consultant	17,000,000	-	-	-	(17,000,000)	-	-	8 March 2011	8 March 2011 to 7 March 2013	HK\$0.553
Consultant	30,000,000	4,615,385	-	-	-	-	34,615,385	4 October 2011	4 October 2011 to 3 October 2013	HK\$0.650
	47,000,000	4,615,385	-	-	(17,000,000)	-	34,615,385			
Total	65,920,000	7,623,665	-	-	(18,159,000)	-	55,384,665			

Note: As announced on 23 May 2013, the exercise price of the share options have been adjusted as a result of the Open Offer.

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 June 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 standard 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\$0.647	6,733,790	0.51%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.647	6,733,790	0.51%
Total				13,467,580	1.02%

Save as disclosed above, as at 30 June 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 AND UNDERLYING SHARES

As at 30 June 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:

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	249,492,095	18.85%
Fullink Management Limited (Note 1)	Beneficial owner	235,300,000	17.78%
Mr. Tsang, Michael Man-heem (Note 1)	Interest of controlled corporation	235,300,000	17.78%
UNIR (HK) Management Limited (Note 2)	Beneficial owner	195,845,000	14.80%
Dr. Ina Chan Un Chan (Note 2)	Interest of controlled corporation	195,845,000	14.80%
Asia Private Credit Fund Limited	Beneficial owner	110,756,095	8.37%

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. UNIR (HK) Management 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	48,571,428	3.67%
Dr. Ina Chan Un Chan	Interest of controlled corporation	48,571,428	3.67%

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 48,571,428 shares. UNIR (HK) Management Limited is therefore deemed to be interested in 48,571,428 underlying shares. UNIR (HK) Management Limited is wholly and beneficially owned by Dr. Ina Chan Un Chan.

Save as disclosed above, as at 30 June 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 SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2013.

DIRECTOR'S 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 six months ended 30 June 2013.

CORPORATE GOVERNANCE CODE

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 six months ended 30 June 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, 12 August 2013

As at the date of this report, the Board comprises Ms. Tsang Po Yee Pauline as executive director, Mr. Cheng Ping Yat, Mr. Lau Wan Pui Joseph and Mr. Tam B Ray Billy 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 and Mr. Wong Tat Tung as independent non-executive directors.