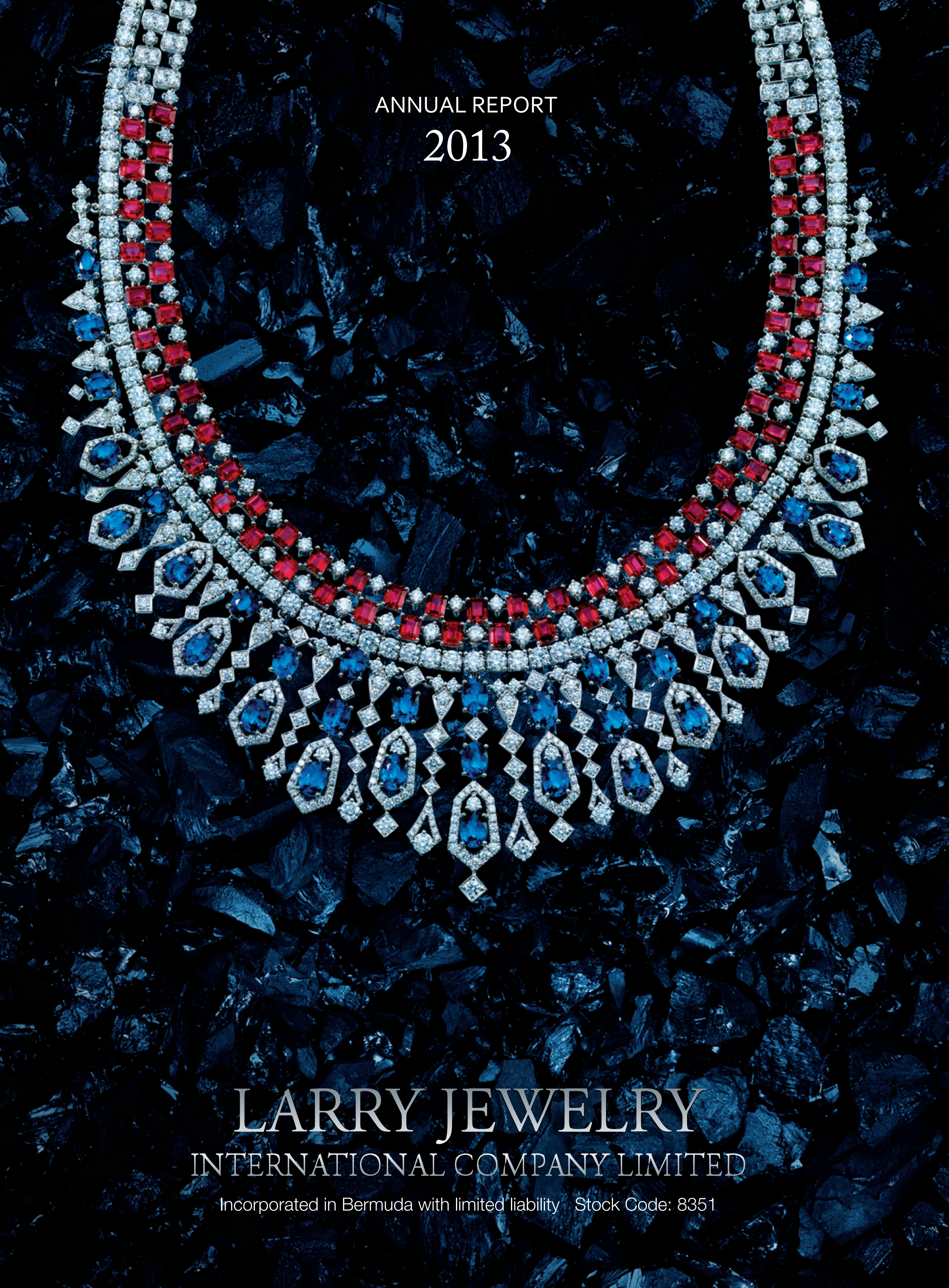

ANNUAL REPORT

2013

LARRY JEWELRY INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

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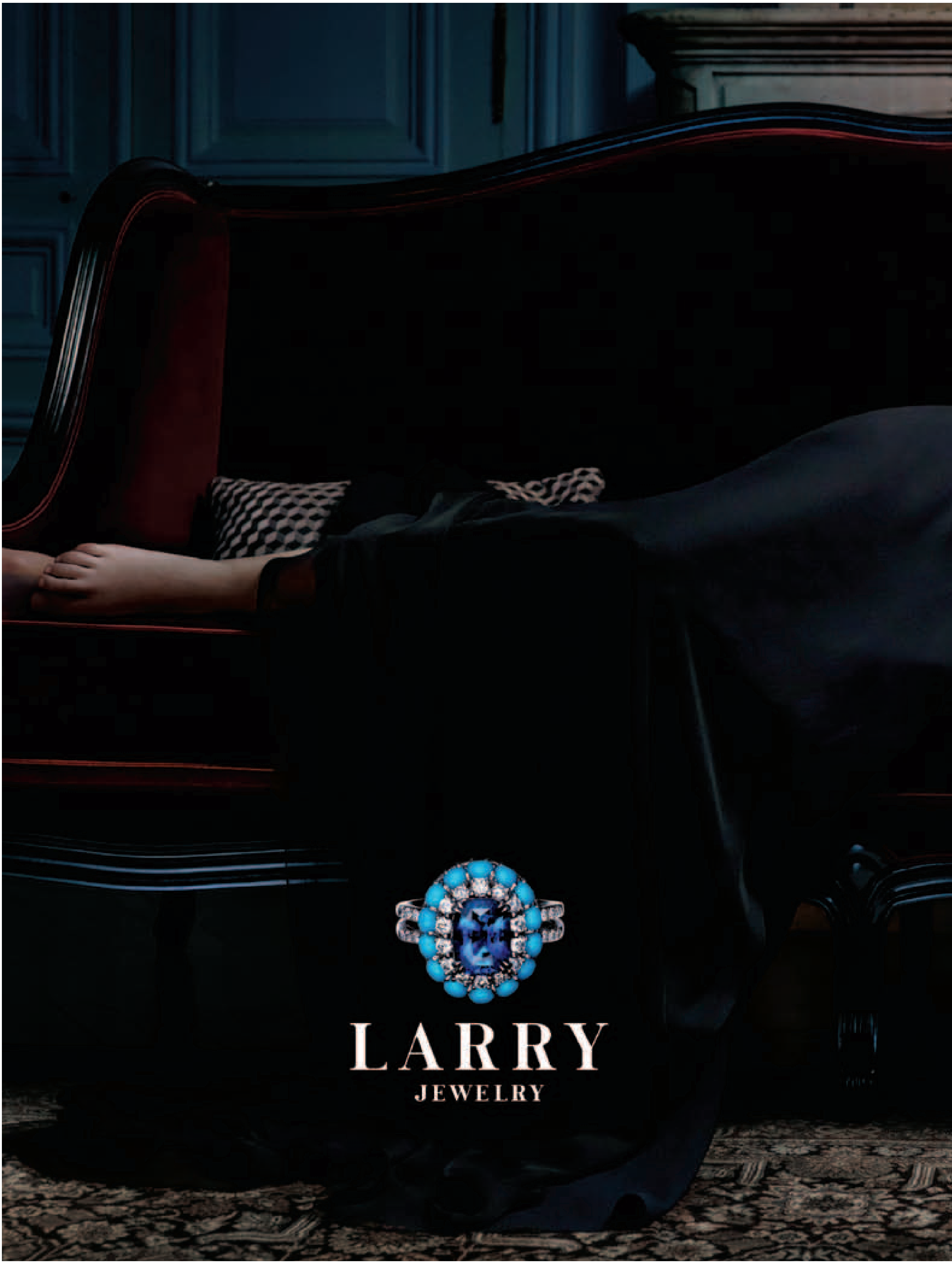
This report, for which the directors (the "Directors") of Larry Jewelry International Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents


LARRY
JEWELRY


the touch of luxury

Corporate Information

BOARD OF DIRECTORS

Executive Director

Ms. Tsang Po Yee Pauline

Non-Executive Directors

Mr. Cheng Ping Yat
Mr. Tam B Ray Billy

Independent Non-Executive Directors

Mrs. Chow Liang Shuk Yee Selina *(Chairman)*
Mr. Chan Tze Ching Ignatius
Mr. Fung Shing Kwong
Mr. Wong Tat Tung

COMPANY SECRETARY

Ms. Tsang Po Yee Pauline

AUTHORIZED REPRESENTATIVES

Ms. Tsang Po Yee Pauline
Mr. Cheng Ping Yat

AUDIT COMMITTEE

Mr. Chan Tze Ching Ignatius
Mr. Fung Shing Kwong
Mr. Wong Tat Tung

REMUNERATION COMMITTEE

Mr. Fung Shing Kwong
Mr. Chan Tze Ching Ignatius

NOMINATION COMMITTEE

Mrs. Chow Liang Shuk Yee Selina
Mr. Chan Tze Ching Ignatius
Mr. Fung Shing Kwong

AUDITOR

BDO Limited

SOLICITORS

Michael Li & Co.

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11 Bermuda

PLACE OF BUSINESS

13/F, Pacific House,
20 Queen's Road Central,
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong
(Will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014)

STOCK CODE

8351

WEBSITE

www.larryjewelryinternational.com

Five Year Financial Summary

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	Nine months ended 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000	Year ended 31 March 2010 HK$'000
Turnover	**298,256**	**351,183**	203,983	48,650	47,237
Gross profit	**85,646**	**95,635**	35,238	13,323	19,119
(Loss)/Profit before income tax	**(102,888)**	**(67,107)**	(75,565)	(18,426)	10,028
(Loss)/Profit attributable to the owners of the Company	**(103,267)**	**(67,910)**	(74,479)	(19,362)	7,942
Basic (loss)/earnings per share (HK cents)	**(6.78)**	**(7.08)**	(9.60)	(3.01)	1.76

	At 31 December			At 31 March	
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000	2010 HK$'000
Non-current assets	**93,564**	140,033	141,050	1,981	1,171
Current assets	**338,534**	358,986	473,294	118,831	55,104
Current liabilities	**190,056**	154,231	359,292	4,496	6,328
Net assets	**227,658**	264,285	193,229	116,316	49,947

Chairman's Statement

CHOW LIANG SHUK YEE SELINA
Chairman and Independent
Non-executive Director

Dear Shareholders,

On behalf of Larry Jewelry, I am pleased to present to you the Group's annual results for the year ended December 31, 2013.

This is my second year reporting as Chairman of the Company, and while 2013 was a highly challenging year for the luxury goods sector, and inevitably Larry Jewelry, it was a very important year in determining a sustainable strategic direction and setting a solid path for the Group going forward. Market conditions aside, we have forged ahead with our efforts in Singapore and Hong Kong.

In Singapore, our Paragon store continues to maintain a loyal clientele, while our Ion store is successfully cultivating a newer and younger customer profile. Larry Splendour, the annual spectacular event, once again made its mark as the jewelry event of the year.

In Hong Kong, our old Causeway Bay store at the junction of Hennessy Road and Percival Street has now been replaced by the newly located store at 52 Yun Ping Road. The move has refreshed the image of Larry in the heart of the boutique cluster that offers increased traffic and a large volume of younger shoppers. Our Central store also went through refurbishment in line with the Company's plans to upgrade the image of the Larry brand.

Complex procedural matters and adverse market conditions held back the progress of our Beijing store, and so we have seen a slow start. However, fresh opportunities in Macau are demanding our attention and we are now focussing on action we might take in this market in 2014.

Chairman's Statement

The Larry Brand was given an overhaul in Hong Kong, culminating in the staging of the inaugural Larry Splendour Hong Kong in late October. In order to showcase the new emphasis our Company is giving to superb new products, we engaged Mr. Barney Chang, internationally renowned Hong Kong designer of couture fashion, to collaborate with us on a new series. This marks our Company's determination to invest in quality and creative design for new products so as to enhance the uniqueness of our brand. This new direction is further advanced by the retention of famous European designer Harumi at the end of the year, which will no doubt add another international dimension to our new products to come in 2014.

The Group's revenue for the reporting period decreased to approximately HK$298 million, as a result of the downturn in the luxury retail market in the second half of 2013, and as we continued to feel the effects of the Pacific Place Store closure and a slowdown in sales at our remaining stores. However, as a result of the stringent long term cost control measures implemented by management last year, the Group narrowed its operating loss from HK$67 million in 2012 to HK$59 million in 2013. Unfortunately, due to impairment losses on the carrying amount of goodwill, the Group recorded a loss attributable to the owners of the Company of approximately HK$103 million in 2013.

While these are disappointing results, we ask that shareholders remain patient and bear with us, and we would like to thank you for your support thus far. Rest assured that we have already begun to put in motion the necessary initiatives to rejuvenate our brand image and revitalize the Group, but would like to stress that the results of these changes will take time to come to fruition, and we still have some distance to go before achieving our desired goals.

Looking ahead, myself, the Board and management expect the business environment to remain challenging, but we are cautiously optimistic towards the overall outlook of the Group.

A key focus for the Group going forward will be ensuring that the business runs as efficiently as possible. This means that management will continue to apply the cost-control measures that were put in place during the last financial year, and that we will endeavor to keep costs at a minimum where possible. I would like to stress that we see cost control as a long term initiative that will be applied regardless of whether the business is performing well or not, and not as a signal that our business is not performing.

Chairman's Statement

In terms of other initiatives to overhaul the brand, we are also exploring means to broaden the geographic base of our consumers. In addition to the potential opportunities in the burgeoning Macau market, E-commerce is another area that we are taking into consideration, as more and more consumers, particularly in Asia, are beginning to favor the convenience that this avenue offers.

As I mentioned, we are very excited to partner with European designer Harumi in 2014 and believe that in concert with the rejuvenation of our own-designed product offering, partnerships such as this can elevate the Larry Jewelry brand, increasing its appeal and visibility among existing and potential customers. We have also begun to expand our product range and are actively considering the development of products that appeal to entry level buyers and are beginning to market our Lazare diamond offering more prominently to the bridal market.

While we focused on rebranding our Hong Kong business in 2013, we will focus on Singapore in 2014. Perhaps the most exciting part of this will be the significant up-scaling of our Larry Splendour event, which will be transformed from a one day, private event to an exhilarating multi day event in the heart of Singapore's shopping district of Orchard Road, during the annual Great Singapore Sale. The relocation and timing of the event will not only heighten visibility for the brand among local Singaporeans, but will also increase visibility among high net worth individuals from around the South East Asian region, who have travelled to Singapore for the event.

In order to help achieve these goals, the Group raised approximately HK$125.7 million in March 2014, by issuing 1,047,518,325 offer shares at the subscription price of HK$0.12 per offer share on the basis of seven offer shares for every ten existing Shares. This fund raising activity has better positioned the Group to capture potential business opportunities, facilitate business expansion and enhance its earning potential.

Chairman's Statement

The past year has demonstrated that Group's transformation journey will not be easy, and we recognize that we have a long way to go before achieving our goal. However, we are committed to this transformation and remain positive that, through hard work and determination, we can set the Group on a new, more positive trajectory going forward.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers, suppliers, banks and other business associates for their continued support. I would also like to thank our directors, management team and all our staff, whose talent and efforts are the Group's most valuable resource, and who make it possible for Larry Jewelry to remain one of the most renowned locally grown luxury brands in the region.

Larry is a Hong Kong brand that has withstood the test of time for 45 years. We are confident the strategy that we have undertaken to rejuvenate our image and appeal will bring more tangible results in the coming year.

Selina Chow
Chairman and Independent Non-executive Director

Hong Kong, 20 March 2014

Management Discussion and Analysis

The Group is principally engaged in design and sale of jewelry products under the Larry Jewelry brand. Our products are unique in design and of superb craftsmanship to meet the needs of individuals who have a discerning taste in jewelries.

BUSINESS REVIEW

The main focus of Larry Jewelry during 2013 was further development of its business, underpinned by a significant rebranding program that the Group undertook as part of its ongoing strategy to revitalise the business and refresh the Larry Jewelry brand image, with the objective of increasing its appeal to both existing and new customers in the long term.

Sales for the year ended 31 December 2013 were approximately HK$298,256,000, a decrease of 15.1% year on year. This decline was mainly attributed to the closure of the Pacific Place store (which closed in the first half of 2012) and lower sales in the remaining stores.

One of the pillars of the Group's long term strategy is to ensure the business operates at optimum efficiency. As such, the Group implemented a series of cost cutting initiatives throughout the year, and will continue to do so going forward. In the latter half of the year, the Group focused on readying for the brand re-launch in Hong Kong, reinvigorating its image and growing its brand presence and visibility in both Hong Kong and China.

While the rebranding initiative has progressed well to date, with all key milestones having been achieved on schedule, Management requests shareholders to remain patient in the short term. This is a very important transitional period for the Group and the re-branding initiative is a large undertaking; therefore, it will take time for the results to be positively reflected in the Group's financials.

Management Discussion and Analysis

As part of the initial steps of its brand re-launch, the Group opened its first VIP Lounges in Beijing and Hong Kong in the second quarter. The Group also focussed on developing more unique designs for its products and making more of these products available for consumers within its stores. In order to grow brand presence and visibility in Mainland China, the Group hosted a successful media gathering at its Beijing VIP lounge in September 2013. In the third quarter, the Group launched its rebranding campaign, which was kicked off with the glamorous inaugural Larry Splendour event in Hong Kong. Already a successful annual event in Singapore, the Group hopes to develop Larry Splendour to a similar level in Hong Kong, demonstrating the Group's redefined offering and increasing brand visibility among existing and potential customers, with the end goal being to generate higher sales.

Historically, Larry Jewelry has been positioned as a niche player, targeting the top end of the Hong Kong and Singapore jewelry market. As part of the re-branding exercise, the Group has also begun to evolve this positioning, while maintaining its core values. That is to say that the Group will continue to target high end luxury consumers who demand bespoke jewelry designs and value craftsmanship, but has also begun to explore products that will appeal to entry level customers who demand quality.

The well-received inaugural Hong Kong Larry Splendour event in October presented the first opportunity for the Group to showcase its latest flagship collection, the Neo Collection, a classic yet modern offering. This in-house designed collection debuted alongside two modern, elegant collections created by highly respected local Hong Kong designer Barney Cheng and renowned German designer Leo Wittwer. These partner collaborations mark the beginning of a new chapter for the brand and its image as they enable Larry Jewelry to strategically introduce alternative design styles to its portfolio. These new styles breathe fresh air into the Group's product offering, broaden its appeal and expand its potential customer base, while still upholding the Group's core brand values and demonstrating its superior level of craftsmanship.

In parallel with the Larry Splendour event, the Group implemented its new marketing strategy to signify the beginning of this new chapter in Larry Jewelry's history. The initial advertising campaign was markedly different from past advertisements, highlighting key pieces from the Group's Neo Collection and positively demonstrating the Group's sophisticated new direction.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2013 decreased to approximately HK$298,256,000 compared to approximately HK$351,183,000 for the last financial year, representing a decrease of 15.1% decrease, which was mainly attributed to the closure of the Pacific Place store (which closed in the first half 2012) and lower sales in the remaining stores.

Gross Profit

The Group's gross profit for the year ended 31 December 2013 decrease by 10.4% to approximately HK$85,646,000 compared to approximately HK$95,635,000 for the last financial year. The Group's gross profit margin as reported in the consolidated income statement was 28.7% compared to 27.2% for the last financial year. In preparing the consolidated income statement, the cost of the Sharp Wonder Group'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 an increase in the reported gross margin.

If inventory was recorded based on historical cost levels, the Group's gross profit was approximately HK$88,983,000 for the year ended 31 December 2013 compared to approximately HK$106,212,000 for the last financial year, while the Group's adjusted gross profit margin was 29.8% for the year ended 31 December 2013 compared to 30.2% for the last financial year.

Other Income

The Group's other income for the year ended 31 December 2013 was approximately HK$1,404,000 compared to approximately HK$5,478,000 for the last financial year. The reduction is due to the fact that the other income in 2012 was attributed to insurance compensation received, the reversal of provision of impairment on trade receivables 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

The Group's selling and distribution expenses for the year ended 31 December 2013 increased by 6.7% to approximately HK$83,597,000 compared to approximately HK$78,320,000 for the last financial year. The increase was attributable to the increase in marketing expense for promoting the brands.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2013 decreased by 38.6% to approximately HK$38,975,000 compared to approximately HK$63,516,000 for the last financial year. Excluding non-operating items such as 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 employee benefit expenses, the Group's administrative expenses for the year ended 31 December 2013 decreased by 14.4% to approximately HK$38,746,000 compared to approximately HK$45,240,000 for the last financial year, due to the management's effort to adopt the effective cost control measures.

Finance Costs

The Group reduced its finance costs for the year ended 31 December 2013 to approximately HK$23,630,000 compared to approximately HK$26,384,000 for the last financial 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.

Management Discussion and Analysis

Loss Attributable to the Owners of the Company

The loss attributable to the owners of the Company was approximately HK$103,267,000 for the year ended 31 December 2013 compared to a loss of approximately HK$67,910,000 for the last financial year. The deterioration was mainly attributable to the downturn of the luxury retail market in the second half of 2013 resulting in significant reduction in the sales revenue of the Group and the impairment loss on the carrying amount of goodwill.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 December 2013 was 1.8 times compared with 2.3 times as at 31 December 2012. This is mainly due to the convertible notes, which were classified as non-current liabilities as at 31 December 2012, were re-classified as current liabilities as at 31 December 2013.

As at 31 December 2013, the Group had aggregate cash and bank balances and pledged bank deposits of approximately HK$41.3 million (2012: HK$43.2 million) and total borrowings amounted to approximately HK$157.8 million (2012: HK$173.2 million). Total net borrowings were HK$116.5 million (2012: HK$130.0 million). Net gearing ratio increased from 49.2% as at 31 December 2012 to 51.2% as at 31 December 2013.

The maturity of borrowings of the Group as at 31 December 2013 is set out as follows:

Principal Amount of the Borrowings	*HK$'000*
Borrowings wholly repayable more than one year but not exceeding two years and classified as current liabilities	85,849
Convertible notes repayable within one year	70,000

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

CAPITAL STRUCTURE

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

SIGNIFICANT INVESTMENT

As at 31 December 2013 and 2012, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year under review and up to date of this report.

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 approximately 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.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in notes 23, 25 and 34 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, the Group has no significant contingent liabilities.

LEASE AND CONTRACTED COMMITMENTS

Details of the significant commitments of the Group and the Company are set out in notes 31 and 32 to the financial statements.

EVENTS AFTER THE REPORTING DATE

Details of the events after the reporting date are set out in note 37 to the financial statements.

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.

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 31 December 2013, the Group had 92 (2012: 102) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$36,395,000. The total staff costs for the year ended 31 December 2012 were approximately HK$44,358,000 including share-based payments of approximately HK$3,307,000. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Year-end bonuses based on individual performance are paid to employees as recognition of, and reward for, their contributions. Other benefits include contributions to statutory mandatory provident schemes to its employees as well as a share option scheme.

OUTLOOK

Looking ahead, while the management of the Company (the "Management") expects the business environment to remain challenging, the overall outlook of the Group is cautiously optimistic. To fulfil the Group's long-term strategic vision of becoming an Asian fine jewelry brand, the Board and Management will carefully consider the nature of all future investments based on the market environment. In 2014, the Group is committed to focusing efforts on the following strategic initiatives:

1. Broadening Consumer Markets

Looking to reach a broader geographical spread of customer, the Group has begun to consider opportunities for the Larry Jewelry brand outside of Hong Kong, Mainland China and Singapore. The Group will begin to explore opportunities initially in the Macau market, and over the course of the upcoming financial year, will use events and promotional activities to gauge consumer interest in this market and to expand its target customer base, rather than through opening an investment intensive storefront.

The Group will also explore the possible development of an e-commerce channel to further expand the reach of its retail offering. In addition to considering the addition of this e-commerce capability, the Group is also undertaking the redesign of the brand and corporate websites.

In terms of its bricks and mortar retail offerings across Hong Kong, Mainland China and Singapore, the Group will consider consolidating its existing storefronts, focusing on locations that have high foot traffic in areas that attract a significant number of potential customers, including tourists, thus maximising the efficiency of its operations.

2. New Product Initiatives & Consumer Diversification

Following successful partnerships with Barney Cheng and Leo Wittwer, Larry Jewelry will continue to work with international designers. Through these collaborative initiatives, the Group can introduce new designs and collections to complement its existing product offering, while maintaining the quality of its craftsmanship. The Group believes that this will help bring the brand to a whole new level, increasing its appeal among existing customers while simultaneously attracting a more youthful, cosmopolitan audience.

In terms of its core product offering, the Group has begun to introduce more distinctive and new jewelry designs and unique pieces from its in-house designers, which better represent the revitalised brand.

To diversify its appeal to its target customers and in order to make fine jewelry more accessible to a wider group of consumer, the Group has begun to expand its product range and is considering the development of products that appeal to entry level buyers in addition to existing higher ticket items.

To further broaden its appeal, the Group will also begin to market its Lazare diamond offering more prominently to the bridal market. The Group believes that the bridal market offers huge growth potential given its base of young consumers for which engagement and wedding rings are often their first serious jewelry purchase. Capturing young consumers as they make their first substantial jewelry purchase offers a significant opportunity to develop lifelong brand loyalty.

The partnership with Lazare also allows the Group to offer a highly differentiated product. Lazare diamonds (pioneered by Lazare Kaplan International Inc.) are cut to very specific standards that go above and beyond the requirements of the GIA and offer the "ideal" cut, based on a formula designed to optimise the brilliance, fire and scintillation in a polished diamond. When a diamond is ideally cut, light rays from all sides are bent towards the centre of the stone and reflected back through the top of the diamond in a blaze of light. This cut differentiates the quality and look of diamonds that the Group offers from that of other competitors in both Hong Kong and Singapore.

3. Ongoing Rebranding Process – Singapore Focus

Following the successful re-brand of the Hong Kong business, Management will place greater emphasis in 2014 on the redevelopment of its Singapore offering. The Group plans to scale up its popular Larry Splendour event to a multi-day, multi-format event, located in the popular shopping district of Orchard Road. While in the previous years the event has focused on appealing primarily to existing VIP customers, next year the Group will expand its scale and relocate the venue. The intention is for Larry Splendour Singapore to take on a whole new direction with proceedings spanning four days; two days will be dedicated to existing clients and two for potential clients. The event will also be held during the Great Singapore Sale, which will increase the visibility of the brand among consumers and high net worth individuals from around the South East Asian region, who have travelled to Singapore for the annual shopping event. The Group will reveal more regarding its plans for this event in due course.

4. Continued Cost Reduction Program

As mentioned in the business review, the Group believes that improving and maintaining the efficiency of the business is key to its long term success. As such, Management will continue to apply the cost-control measures that were put in place during the last financial year, periodically reviewing and adjusting the measures as appropriate. Management also remains dedicated to improving same-store sales and inventory turnover through the introduction of new products, partnerships and marketing campaigns.

5. Fund Raising

In January 2014, the Group announced its proposal to raise not less than approximately HK$125.7 million and not more than approximately HK$130.63 million before expenses by issuing not less than 1,047,518,325 offer shares and not more than 1,088,589,641 offer shares at the subscription price of HK$0.12 per offer share on the basis of seven offer shares for every ten existing shares. The open offer will allow the Group to enhance its working capital. Upon completion of the open offer, the Group will be in a better position to capture potential business opportunities, facilitate business expansion and enhance its earning potential.

The Management remains optimistic that the rebranding initiative and recent fund raising exercise will have a positive impact on the Group and its ability to capture future growth.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Director

Ms. Tsang Po Yee Pauline (曾寶儀), aged 35, is an executive Director, the interim CEO, company secretary, compliance officer, and authorized representative of the Group. Ms. Tsang was appointed as an executive Director on 16 December 2010 and the interim CEO on 28 November 2012. She is responsible for overall strategic planning, operations, financial management of the Group. Ms. Tsang has over 8 years of experience in the accounting and finance area. Ms. Tsang is a qualified member of CPA Australia. Ms. Tsang joined Deloitte Touche Tohmatsu in 2002. Ms. Tsang has extensive experience in internal control management by serving different financial institutions including Morgan Stanley, Societe Generale Securities (Hong Kong) Limited and Royal Bank of Scotland. She then joined the Research and Strategy Group at Citi Private Bank in 2007 as a research analyst. Upon completion of her tenure with Citi Private Bank, Ms. Tsang joined her family-owned business in January 2010 as a director and is responsible for property redevelopment and asset management. Ms. Tsang received both her Bachelor of Commerce degree with double majors in Accounting and Finance and Master of Commerce degree with major in Professional Accounting from Macquarie University in Sydney, Australia in 2000 and 2002 respectively.

Ms. Tsang is also currently a director of her family-owned charity trust which has been actively participating in charitable functions and donations for more than 20 years.

Non-Executive Directors

Mr. Cheng Ping Yat (鄭炳溢), aged 63, was appointed as a non-executive Director on 24 May 2012. Mr. Cheng is the director of Sun Max Establishment Limited, which renders consultancy services to UNIR (HK) Management Limited and AID Partners Ltd., a private equity house based in Hong Kong. Prior to that, Mr. Cheng served the HKSAR Government from 1975 to 2008. He was the Principal Immigration Officer from 2002 to 2007, responsible for the management of the Immigration Division of the Office of the HKSAR Government in Beijing, PRC. The Division is responsible for processing entry visa application to Hong Kong, providing assistance to Hong Kong residents in distress in the PRC and maintaining close liaison with relevant PRC Government departments as well as foreign diplomatic corporations in Beijing.

Mr. Cheng obtained a diploma in Management Studies in 1980's and a Post Graduate Certificate in Public Policy from the University of California, Berkeley in 1995. He is also the member of the Chartered Management Institute. He was awarded the Hong Kong Immigration Services Medal for Meritorious Service in 2004.

Mr. Tam B Ray Billy (譚比利), aged 45, was appointed as a non-executive Director on 16 December 2010. He has been a practising solicitor in Hong Kong for around 20 years. He is currently a partner of Messrs. Ho & Tam. Mr. Tam holds a Bachelor Degree of Laws from the University of London, a Bachelor Degree of PRC Law from Tsinghua University; a Master Degree of Laws from the University of Hong Kong and a Master Degree of Business Administration (Executive MBA Programme) from the Chinese University of Hong Kong. He is an independent non-executive director of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange and independent non-executive directors of China Natural Investment Company Limited and EDS Wellness Holdings Limited, all of which are listed on the GEM. Mr. Tam is also a non-executive director of Milan Station Holdings Limited, a company listed on Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Independent non-executive Directors

Mrs. Chow Liang Shuk Yee Selina (周梁淑怡), aged 69, was appointed as an independent non-executive Director and chairman of the Board on 28 November 2012. Mrs. Chow graduated from the University of Hong Kong with a bachelors of arts degree, and went on to post-graduate studies of Speech and Drama at the Rose Bruford College of Speech and Drama in the United Kingdom. She obtained the Licentiateship for Teacher and Performer of Drama at the Royal College of Music (LRAM), and also qualified as an Associate of the Drama Board there, specializing in Theatrical Production. On her return from the United Kingdom in 1967, Mrs. Chow joined Television Broadcasts Limited in its infancy as a Production Assistant, and elevated through the ranks of Producer, Programme Manager, Assistant General Manager in charge of all programming until 1977. In the next decade she occupied top management positions in Commercial Television Limited and Asia Television Limited.

Mrs. Chow has always been active in public service. She was appointed as a Member of the Urban Council in 1980, where she served for four years. In 1981 she was appointed as a Member of the Legislative Council until 1995, when she became an elected Legislator for the first time, representing the Wholesale and Retail Sector. In 1997 she was one of the members of the Legislature who was elected to straddle the handover of Hong Kong's sovereignty from the United Kingdom to the People's Republic of China (the "PRC"). She continued serving as a Functional Constituency Member of the Legislative Council until 2004, when she was elected a representative of the geographical constituency of the New Territories West of Hong Kong, a position in which she served until 2008.

Mrs. Chow has been a Member of the Central People Political Consultative Conference appointed by the Central Government of the PRC since 2005. She is the Chairman of the Hong Kong Intellectual Property Society, a Director of the Hong Kong Design Centre, and a Director of the Friends of Hong Kong Association. She is also an Honorary Advisor to the Quality Tourism Services Association. Mrs. Chow is the Chairman of the Liberal Party, which is widely recognized as the only pro-business political party in Hong Kong that has successfully returned candidates to the Legislative Council through direct elections. She was also elected by the Wholesale and Retail Sector as their representative in the Election Committee responsible for the election of the Chief Executive of Hong Kong in March 2012.

Mrs. Chow's key public appointments in recent years include: Chairman of the Hong Kong Tourism Board, Member of the Strategic Commission, Member of the Trade Development Council, Member of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District and Convenor of its Performing Arts and Tourism Advisory Group, Member of the Aviation Advisory Committee, Member of the Airport Authority, and Member of the Business Council of the Great Pearl River Delta. She has served as Patron of the Children's Heart Foundation, Advisor to Against Child Abuse and Patron of the Lok Chi Association.

Biographical Details of Directors and Senior Management

Mr. Chan Tze Ching Ignatius (陳子政), aged 57, was appointed as an independent non-executive Director on 28 November 2012. Mr. Chan is an independent non-executive director of the Hong Kong Exchanges and Clearing Limited and the Mongolian Mining Corporation (as well as the chairman of the audit committee of the Mongolian Mining Corporation). From 1980 to 2007, Mr. Chan held various positions with Citigroup, including country treasurer and head of sales and trading, head of corporate banking business for Hong Kong, country officer for Hong Kong, country officer for Taiwan, and head of corporate and investment banking business for Greater China. In 2008, he was the deputy chief executive of the Bank of China (Hong Kong) Limited. Mr. Chan was appointed as senior advisor of The Bank of East Asia Limited in March 2009 and of CVC Capital Partners Limited in November 2010. He was appointed as Honorary Advisory Vice President of The Hong Kong Institute of Bankers in February 2011. He was appointed as non-executive director of Rizal Commercial Banking Corporation, the shares of which are listed on the Philippines Stock Exchange, in November 2011. Mr. Chan is a member of the board of directors of the Community Chest of Hong Kong (as well as the chairman of the investment sub-committee). He is also a member of the Greater Pearl River Delta Business Council (Convener of Services Industry Development & Human Resources Sub-group), Hong Kong Polytechnic University Council (as well as chairman of the audit committee), Hong Kong Open University Sponsorship and Development Fund Committee, the Hong Kong Red Cross Council (as well as the chairman of the audit committee), and the Executive Committee of Investor Education Centre of the Securities and Futures Commission. Mr. Chan was awarded master's degrees in business administration from the University of Hawaii, United States, and is a Certified Public Accountant with the American Institute of Certified Public Accountants.

Mr. Fung Shing Kwong (馮承光), aged 67, was appointed as an independent non-executive Director on 10 November 2012. Mr. Fung was the director of Management Consulting of Business International, a company headquartered in New York providing information and consulting services to multinational companies from 1978 to 1980. From 1980 to 1987, he was the vice president, Far East, of the Consumer Products division of Wyeth, a major multinational company in pharmaceuticals and over the counter (OTC) drugs, which was later acquired by Pfizer. He then spent 8 years, from 1987 to 1995, as the general manager of International Operations of Television Broadcasts Limited (TVB), the leading television broadcaster in Hong Kong. From 1995-1999, he was the president of NBC Asia, a subsidiary of General Electric, which operated the CNBC and National Geographic channels in Asia. In 2000, he joined Media Genesis, an e-commerce company providing internet marketing services, as its chief executive officer for a year. Afterwards, from 2002 to 2004, he was the managing director of North Asia of AC Nielsen, a world leader in market research and market information. Mr. Fung was the chairman of the Cable and Satellite Broadcasting Association of Asia (CASBAA), which is an industry organization of Asian broadcasters, from 1997 to 2002. From 1999-2005, he was a member of the supervisory board of New Skies Satellites, a global satellite company listed on the New York Stock Exchange. He was a member of the Listing Committee of the Stock Exchange of Hong Kong for the period from May 2006 to May 2012. Mr. Fung was awarded his Bachelor of Science degree from University of Manitoba in 1969, Master of Business Administration degree from Columbia University in 1971 and Doctor of Philosophy degree from the Massachusetts Institute of Technology in 1979.

Mr. Wong Tat Tung (黃達東), aged 44, was appointed as an independent non-executive Director on 19 March 2012. Mr. Wong has over 15 years' business experience in the field of asset management and investment. He has served as a Vice President of Credit Suisse Privilege Limited in Hong Kong. Currently, he is the Managing Director of Channel 8 Wealth Management Ltd and the Chairman of World Time International Limited. Further, Mr. Wong is the Vice Chairman of Sham Shui Po District Council for the Hong Kong Special Administrative Region and a committee member of the city of Tianjin Chinese People's Political Consultative Conference. In addition, Mr. Wong was the Chairman of Yan Oi Tong for the year 2012-2013 and at the same time offered by many educational institutions as distinguished school board members of their schools.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Luk Wai Kuen, Patrick (陸偉權), is the chief financial officer of the Group. He has over 15 years of working experience in the corporate accounting and reporting, corporate financing and corporate compliance area. Prior to joining the Company, Patrick worked at several local large retailing groups, including the companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange. He graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Honor Degree in Business Studies and a Postgraduate Diploma in Corporate Administration, and has further obtained a Master Degree in Accounting and a Master Degree in Finance from the Curtin University of Western Australia. He is a member of the Chartered Institute of Management Accountants of United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, and a member of the Institute of Chartered Secretaries and Administrators of United Kingdom.

Mr. Tay Yam Sheng, Eric (鄭炎成), is the retail director of Larry Jewelry's operations in Singapore. With 30 years of working experience in Larry Jewelry, Eric has gone through from sales assistance to retail director. He keeps upgrading himself in management and has processes a professional diploma in Retail Management. Eric successfully built up his confidence and skill of managing staff and customers. He was promoted to retail director in year 2011. His responsibilities include taking care of the front line P & L, staff salesmanship training, cooperate with marketing program, enforcing company rules and regulation, etc. Under Eric's positive influence, staffs are able to keep up good sale record and relationship with customers.

Ms. Ng Swee Choo, Catherine (黃瑞珠), is the administration director of the Larry Jewelry operations in Singapore and has worked for 36 years with Larry Jewelry, Catherine is now the administration director. She has a good urge of upgrading herself. Holding a degree in Management, Catherine's main responsibilities include managing the entire administration work and assisting on HR issues. She also takes care of stock management (purchase, inventory control, manufacturing and distribution, etc). Catherine's long year experiences help her to gain strong supports from suppliers local and overseas with good relationship.

Ms. Chung Sin Yee, Iris (鍾倩儀), is the head of business development of the Group. She has immense experiences in luxury brand marketing and business management. She once was the merchandising manager of Marathon Sports of Swire Resources Limited. In 2008, she was the consumer marketing director for Hong Kong and Macau of Coca-Cola China Ltd., being in charge of a 14-brand portfolio and accountable for their unique brand positioning and sales targets. Prior to starting her own business, Ms Chung was the group chief executive officer of the Just Gold group. She headed three regional offices in the PRC, Taiwan and Hong Kong, with 400 staff and close to 70 branded outlets. She was also the spokesperson of that company and icons for the brands. Ms. Chung was awarded "The 100 Most Outstanding Woman Entrepreneurs in China-2006" by The China Woman Entrepreneur Association. Ms Chung holds a master in business administration degree and a bachelor of arts degree from the Chinese University of Hong Kong.

Ms. Wong Wai Yee (黃慧儀), is the sales director of Larry Jewelry's operations in Hong Kong. She has extensive working experience in sales management, retail operations, business development and general management. She graduated from the Hong Kong Baptist University with major in business management. Prior to joining the Group, she held senior management positions in several multinational corporations like Triumph International Company, Christian Dior, and Tom Tailor Asia. She also held the position as general manager in TSL Jewelry and managed 20 shops in Hong Kong and Macau with sales team of 250. She is now responsible for the sales and operation management of the Group in Hong Kong.

Corporate Governance Report

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2013. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the year ended 31 December 2013, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules ('the Code"). During the year ended 31 December 2013, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

BOARD OF DIRECTORS

At present, the Board of the Company comprises seven members as follows:

Executive Director

Ms. Tsang Po Yee Pauline

Non-Executive Directors

Mr. Cheng Ping Yat
Mr. Tam B Ray Billy

Independent Non-Executive Directors

Mrs. Chow Liang Shuk Yee Selina *(Chairman)*
Mr. Chan Tze Ching Ignatius
Mr. Fung Shing Kwong
Mr. Wong Tat Tung

Corporate Governance Report

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 18 to 21.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditor;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, led by the executive Director and the interim CEO, Ms. Tsang Po Yee Pauline.

During the year ended 31 December 2013, the Board held 31 meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's bye-laws. The attendance rates of Directors at the Board meetings for the year ended 31 December 2013 are detailed in the following table.

	The Board	
Directors	No. of Meetings Held	No. of Meetings Attended
Executive Director		
Ms. Tsang Po Yee Pauline	31	30
Non-executive Directors		
Mr. Cheng Ping Yat	31	29
Mr. Tam B Ray Billy	31	25
Mr. Lau Wan Pui Joseph (removed on 3 December 2013)	27	25
Independent non-executive Directors		
Mrs. Chow Liang Shuk Yee Selina	31	31
Mr. Chan Tze Ching Ignatius	31	24
Mr. Fung Shing Kwong	31	31
Mr. Wong Tat Tung	31	18

All Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has four independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's bye-laws, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing.

Mrs. Chow Liang Shuk Yee Selina plays a leading role and is responsible for effective running of the Board while Ms. Tsang Po Yee, Pauline is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

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.

APPOINTMENT, RE-ELECTION AND REMOVAL

According to the Bye-laws of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Board has established a remuneration committee ("RC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The RC comprises two independent non-executive Directors, namely Mr. Chan Tze Ching Ignatius and Mr. Fung Shing Kwong and is chaired by Mr. Fung Shing Kwong.

The RC is responsible for, inter alia, reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC is provided with sufficient resources enabling it to discharge its duties.

The revised written terms of reference of the RC are available on the Company's website.

During the year ended 31 December 2013, the RC held 1 meeting. The attendance rates of RC members at the RC meeting for the year ended 31 December 2013 are detailed in the following table.

	Remuneration Committee	
Directors	No. of Meetings Held	No. of Meetings Attended
Mr. Chan Tze Ching Ignatius	1	0
Mr. Fung Shing Kwong	1	1
Mr. Lau Wan Pui Joseph (removed on 3 December 2013)	1	1

NOMINATION COMMITTEE

The Board has established a nomination committee ("NC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012 and September 2013). The NC comprises three independent non-executive Directors, namely, Mrs. Chow Liang Shuk Yee Selina, Mr. Chan Tze Ching Ignatius and Mr. Fung Shing Kwong and is chaired by Mrs. Chow Liang Shuk Yee Selina.

The NC is responsible for, inter alia, reviewing the structure, size and composition of the Board (including skills, knowledge, experience and diversity needed in the future), formulating nomination policy, making recommendations to the Board on nomination, appointment or re-appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors. The NC is provided with sufficient resources enabling it to discharge its duties.

The revised written terms of reference of the NC are available on the Company's website.

During the year ended 31 December 2013, the NC held 1 meeting. The attendance rates of NC members at the NC meeting for the year ended 31 December 2013 are detailed in the following table.

	Nomination Committee	
Directors	No. of Meetings Held	No. of Meetings Attended
Mrs. Chow Liang Shuk Yee Selina (appointed on 12 August 2013)	0	0
Mr. Chan Tze Ching Ignatius	1	1
Mr. Fung Shing Kwong	1	1
Mr. Lau Wan Pui Joseph (removed on 3 December 2013)	1	1

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the remuneration in respect of audit services provided by the external auditors of the Group are approximately HK$762,000.

There are non-audit services provided by the external auditor of the Company in the financial year ended 31 December 2013 and HK$100,000 has been paid to the external auditor in connection with professional services provided for the open offer in May 2013 during the financial year ended 31 December 2013.

AUDIT COMMITTEE

The Board has established an audit committee ("AC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The AC comprises the three independent non-executive Directors, namely Mr. Chan Tze Ching Ignatius, Mr. Fung Shing Kwong and Mr. Wong Tat Tung, and is chaired by Mr. Chan Tze Ching Ignatius who has appropriate professional qualifications and experience in financial matters. The terms of reference of the AC are aligned with the provisions set out in the CG Code. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

The revised written terms of reference of the AC are available on the Company's website.

During the year ended 31 December 2013, the AC held 4 meetings. The attendance rates of AC members at the AC meetings in the year ended 31 December 2013 are detailed in the following table.

	Audit Committee	
Directors	No. of Meetings Held	No. of Meetings Attended
Mr. Chan Tze Ching Ignatius	4	4
Mr. Fung Shing Kwong	4	4
Mr. Wong Tat Tung	4	4
Mr. Lau Wan Pui Joseph (removed on 3 December 2013)	4	4

INTERNAL CONTROLS

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company (collectively "internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current operate structure and scope of the Group's operations.

INVESTOR RELATIONS AND SHAREHOLDERS RIGHTS

The Company proactively promotes investor relations. Communication with shareholders is always given high priority. Extensive information about the Group's activities is provided in the annual report, interim report and quarterly report. The Company's website provides regularly updated information to shareholders. Enquiries on matters relating to the business of the Group are welcomed, and are dealt with in an informative and timely manner.

The Company encourages all shareholders to attend the annual general meetings to stay informed of the Group's strategy and goals. It provides an opportunity for direct communications between the Board and its shareholders. Shareholders have statutory rights to call for special general meetings by serving appropriate written requests to the Company. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from shareholders. The poll results are published on the websites of the Company and the Stock Exchange.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the financial statements for each financial year which gives a true and fair view. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 37 and 38 of this annual report.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

Report of the Directors

The Board of Directors (the "Board") is pleased to present the annual report and the audited consolidated financial statements of Larry Jewelry International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 19 to the financial statements. There were no significant changes in nature of Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the financial statements on pages 39 to 112 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2013.

FIVE YEAR FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last four financial years and for the year ended 31 December 2013 is set out on page 5. This summary does not form part of the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers were less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 50% (2012: 41%) of the total purchases for the year while the largest supplier accounted for 25% (2012: 19%) of the total purchases for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had no distributable reserves, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of approximately HK$413,571,000 as at 31 December 2013 may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Director

Ms. Tsang Po Yee Pauline

Non-executive Directors

Mr. Cheng Ping Yat
Mr. Tam B Ray Billy
Mr. Lau Wan Pui Joseph (Note) – removed on 3 December 2013

Independent non-executive Directors

Mrs. Chow Liang Shuk Yee Selina *(Chairman)*
Mr. Chan Tze Ching Ignatius
Mr. Fung Shing Kwong
Mr. Wong Tat Tung

Note: Redesignated from independent non-executive Director to non-executive Director on 1 June 2013

In accordance with bye-law 84 of the Company's bye-laws, three directors shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 18 to 21 of this annual report.

DIRECTORS' SERVICE AGREEMENT

None of the Directors who are proposed for election or re-election at the forthcoming AGM has a service contract with the Company and/or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 14 to the financial statements.

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

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the share options, 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$0.647	6,733,790	0.45%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK$0.647	6,733,790	0.45%
Total				13,467,580	

Save as disclosed above, as at 31 December 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 December 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
Fullink Management Limited (Note 1)	Beneficial owner	235,300,000	15.72%
Mr. Tsang Michael Man-heem (Note 1)	Interest of controlled corporation	235,300,000	15.72%
UNIR (HK) Management Limited (Note 2)	Beneficial owner	195,845,000	13.09%
Dr. Ina Chan Un Chan (Note 2)	Interest of controlled corporation	195,845,000	13.09%
Diamond Well International Limited (Note 3)	Beneficial owner	172,970,900	11.56%
Ms. Zhang Ya Juan (Note 3)	Interest of controlled corporation	172,970,900	11.56%
Asia Private Credit Fund Limited	Beneficial owner	110,756,095	7.40%

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.

3. Diamond Well International Limited is wholly and beneficially owned by Ms. Zhang Ya Juan.

Long positions in underlying shares of the company

Name of shareholder	Capacity of interests	Number of underlying shares held	percentage of shareholding in the Company
Lico Consultancy Limited	Beneficial owner	48,571,428	3.25%
Dr. Ina Chan Un Chan	Interest of controlled corporation	48,571,428	3.25%

Note: Lico Consultancy 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. Lico Consultancy Limited is therefore deemed to be interested in 48,571,428 underlying shares. Lico Consultancy Limited is wholly and beneficially owned by Dr. Ina Chan Un Chan.

Save as disclosed above, as at 31 December 2013, the Directors 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 SHARES 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 corporations" 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2013, the Group entered into the following connected transactions with its connected persons:

	HK$'000
Total rental expenses	7,722

The independent non-executive directors of the Company have reviewed the continuing connected transactions conducted by the Group, and are of the view that they were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reviewed the continuing connected transactions and in the letter sent to the Company confirmed that the continuing connected transactions:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the annual cap approved by the Stock Exchange.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at the date of this annual 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.

BORROWINGS

Particulars of borrowings of Group as at 31 December 2013 are set out in note 25 to the financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 2.17 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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 year ended 31 December 2013.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 21 September 2009 under which certain selected classes of participants (including, among others, fulltime employees) may be granted options to subscribe for the shares. The principal terms of the share option scheme are summarized in the paragraph headed "Share Option Scheme" in appendix V to the prospectus of the Company dated 29 September 2009.

Details of the movements in the share options granted, exercised and forfeited during the year ended 31 December 2013 under the share option scheme and the general mandate are as follows:

	Number of share options								
Grantee	Outstanding as at 1 January 2013	Adjustments	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2013	Date of grant	Exercisable period	Exercise price per share
		(Note 1)			(Note 2)				(Note 1)
(i) Under Share Option Scheme									
Directors									
Ms. Tsang Po Yee Pauline	5,810,000	923,790	–	–	–	6,733,790	10 March 2011	10 March 2011 to 9 March 2021	HK$0.647
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	–	–	(6,142,700)	2,318,000	28 March 2012	28 March 2012 to 28 March 2015	HK$0.664
	18,920,000	3,008,280	–	–	(6,142,700)	15,785,580			
(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	–	–	(51,615,385)	–			
Total	65,920,000	7,623,665	–	–	(57,758,085)	15,785,580			

Note 1: As announced on 23 May 2013, the exercise prices and the number of shares of the share options have been adjusted as a result of the open offer.

Note 2: Included in 57,758,085 forfeited share options, 51,615,385 share options expired during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

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. The Group's compliance with the code provisions is set out in the Corporate Governance Report from pages 22 to 28 of this annual report.

AUDITOR

BDO Limited has acted as auditor of the Company for the year ended 31 December 2013.

BDO Limited shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chow Liang Shuk Yee Selina
Chairman and
Independent Non-executive Director

Hong Kong, 20 March 2014

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF LARRY JEWELRY INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Larry Jewelry International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412
Hong Kong, 20 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
Revenue	5	**298,256**	351,183
Cost of sales		**(212,610)**	(255,548)
Gross profit		**85,646**	95,635
Other income	5	**1,404**	5,478
Selling and distribution expenses		**(83,597)**	(78,320)
Administrative expenses		**(38,975)**	(63,516)
Finance costs	7	**(23,630)**	(26,384)
Operating loss		**(59,152)**	(67,107)
Impairment on goodwill	16	**(43,736)**	–
Loss before income tax	8	**(102,888)**	(67,107)
Income tax expense	9	**(379)**	(803)
Loss for the year attributable to the owners of the Company		**(103,267)**	(67,910)
		HK cents	*HK cents* (restated)
Loss per share attributable to the owners of the Company during the year	12		
– Basic and diluted		**(6.78)**	(5.79)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company	**(103,267)**	(67,910)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of financial statements of foreign operations	**(3,371)**	5,327
Total other comprehensive income for the year	**(3,371)**	5,327
Total comprehensive income for the year attributable to the owners of the Company	**(106,638)**	(62,583)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**6,560**	7,180
Goodwill	16	**–**	43,736
Intangible assets	17	**79,000**	79,000
Deposits	18	**8,004**	9,888
Financial assets at fair value through profit or loss	20	**–**	229
		93,564	140,033
Current assets			
Inventories	21	**282,167**	302,838
Trade receivables	22	**4,616**	4,681
Prepayments, deposits and other receivables		**10,414**	7,467
Tax recoverable		**–**	801
Pledged bank deposits	23	**27,777**	28,084
Bank and cash balances	23	**13,560**	15,115
		338,534	358,986
Current liabilities			
Trade payables	24	**15,629**	23,107
Other payables and accruals		**15,529**	20,845
Borrowings	25	**81,940**	107,688
Convertible notes	27	**75,839**	–
Provision for tax		**1,119**	2,591
		190,056	154,231
Net current assets		**148,478**	204,755
Total assets less current liabilities		**242,042**	344,788
Non-current liabilities			
Deferred tax liabilities	26	**14,384**	15,022
Convertible notes	27	**–**	65,481
		14,384	80,503
Net assets		**227,658**	264,285
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	**14,965**	10,181
Reserves	29	**212,693**	254,104
Total equity		**227,658**	264,285

Chow Liang Shuk Yee Selina
Director

Tsang Po Yee Pauline
Director

Statement of Financial Position

As at 31 December 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(b)	**366**	894
Deposits	18	**–**	657
Interests in subsidiaries	19	**7**	7
Financial assets at fair value through profit or loss	20	**–**	229
		373	1,787
Current assets			
Deposits and other receivables		**1,637**	1,152
Amounts due from subsidiaries	19	**314,394**	364,493
Bank and cash balances	23	**246**	202
		316,277	365,847
Current liabilities			
Other payables and accruals		**728**	746
Convertible notes	27	**75,839**	–
Amounts due to subsidiaries	19	**13,665**	41,640
		90,232	42,386
Net current assets		**226,045**	323,461
Total assets less current liabilities		**226,418**	325,248
Non-current liabilities			
Convertible notes	27	**–**	65,481
Net assets		**226,418**	259,767
EQUITY			
Share capital	28	**14,965**	10,181
Reserves	29	**211,453**	249,586
Total equity		**226,418**	259,767

Chow Liang Shuk Yee Selina
Director

Tsang Po Yee Pauline
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Cash flows from operating activities			
Loss before income tax		**(102,888)**	(67,107)
Adjustments for:			
Interest income	5	**(56)**	(53)
Interest expenses	7	**23,630**	26,384
Depreciation	8	**4,695**	4,688
Write-down of inventories to net realisable value	8	**1,382**	4,000
Impairment on goodwill	8	**43,736**	–
Provision of impairment on trade receivables	8	**–**	69
Reversal of impairment provision on trade receivables	8	**(303)**	(1,257)
Bad debts written off	8	**2**	156
Written off/loss on disposals of property, plant and equipment	8	**80**	158
Change in fair value of financial assets at fair value through profit or loss	8	**229**	8,182
(Gain)/loss on early redemption of convertible notes	8	**(450)**	6,787
Equity-settled share-based payment expenses	8	**–**	3,757
Operating loss before working capital changes		**(29,943)**	(14,236)
Decrease in inventories		**19,666**	25,367
Decrease in trade receivables		**316**	7,828
Increase in prepayments, deposits and other receivables		**(1,041)**	(4,428)
Decrease in trade payables		**(7,096)**	(31,230)
Decrease in other payables and accruals		**(5,201)**	(1,545)
Cash used in operations		**(23,299)**	(18,244)
Interest paid		**(9,302)**	(11,032)
Income tax paid		**(1,560)**	(4,674)
Net cash used in operating activities		**(34,161)**	(33,950)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	15(a)	**(4,187)**	(4,615)
Decrease/(increase) in pledged bank deposits		**305**	(28,084)
Interest received		**56**	53
Net cash used in investing activities		**(3,826)**	(32,646)
Cash flows from financing activities			
Repayment of borrowings		**(321,253)**	(456,333)
New borrowings raised		**294,938**	284,296
Redemption of convertible notes	27	**(1,600)**	(41,429)
Interest paid for convertible notes	27	**(1,920)**	(280)
Proceeds from issue of convertible notes	27	**–**	56,000
Convertible notes issue expenses		**–**	(2,480)
Proceeds from issue of shares	28	**71,650**	117,972
Share issue expenses		**(1,639)**	(4,101)
Net cash generated from/(used in) financing activities		**40,176**	(46,355)
Net increase/(decrease) in cash and cash equivalents		**2,189**	(112,951)
Cash and cash equivalents as at the beginning of the year		**15,115**	123,324
Effect of foreign exchange rate changes		**(3,744)**	4,742
Cash and cash equivalents as at the end of the year		**13,560**	15,115
Analysis of balances of cash and cash equivalents			
Bank and cash balances	23	**13,560**	15,115

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 29(iii))	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 29(i))	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1 January 2012	8,649	236,005	3,988	17,206	8,683	(830)	(6,360)	(74,112)	193,229
Issue of convertible notes (note 27)	–	–	–	20,394	–	–	–	–	20,394
Issuance cost of convertible notes	–	–	–	(783)	–	–	–	–	(783)
Transfer on redemption of convertible notes	–	–	–	(8,525)	–	–	–	8,525	–
Redemption of convertible notes	–	–	–	(3,600)	–	–	–	–	(3,600)
Issue of shares upon placing (note 28(i))	1,532	116,440	–	–	–	–	–	–	117,972
Share issue expenses	–	(4,101)	–	–	–	–	–	–	(4,101)
Recognition of equity-settled share-based payments (note 30)	–	–	–	–	3,757	–	–	–	3,757
Share options forfeited (note 30)	–	–	–	–	(4,032)	–	–	4,032	–
Transactions with owners	1,532	112,339	–	7,486	(275)	–	–	12,557	133,639
Loss for the year	–	–	–	–	–	–	–	(67,910)	(67,910)
Other comprehensive income									
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	5,327	–	5,327
Total comprehensive income for the year	–	–	–	–	–	–	5,327	(67,910)	(62,583)
Balance as at 31 December 2012	10,181	348,344	3,988	24,692	8,408	(830)	(1,033)	(129,465)	264,285

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 29(iii))	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 29(i))	Translation reserve HK$'000	Accumulated losses HK$'000	Total 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 share upon open offer (note 28(ii))	3,054	30,542	-	-	-	-	-	-	33,596
Issue of shares upon subscription of shares (note 28(iii))	1,730	36,324	-	-	-	-	-	-	38,054
Share issue expenses	-	(1,639)	-	-	-	-	-	-	(1,639)
Share options forfeited (note 30)	-	-	-	-	(2,505)	-	-	2,505	-
Transactions with owners	4,784	65,227	-	(606)	(2,505)	-	-	3,111	70,011
Loss for the year	-	-	-	-	-	-	-	(103,267)	(103,267)
Other comprehensive income									
– Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,371)	-	(3,371)
Total comprehensive income for the year	-	-	-	-	-	-	(3,371)	(103,267)	(106,638)
Balance as at 31 December 2013	14,965	413,571	3,988	24,086	5,903	(830)	(4,404)	(229,621)	227,658

Notes to the Financial Statements

For the year ended 31 December 2013

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") since 7 October 2009.

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 20 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 39 to 112 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

Subsidiaries are investees over which the Group is able to exercise control. The Group controls investees if all three of the following elements are present: power over the investees, exposure, or rights, to variable returns from the investees, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating unit ("CGU") that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values, if any, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	25%
Office equipment	25%
Leasehold improvements	20% or the lease term, whichever is shorter
Moulds	30%

The assets' estimated useful lives, depreciation methods and estimated residual values, if any, are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.6 Intangible assets

The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment and interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGU that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

The Group's financial assets mainly include trade receivables, deposits and other receivables, financial assets at fair value through profit or loss, pledged bank deposits and bank and cash balances. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Financial assets at fair value through profit or loss

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial assets at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Impairment of financial assets

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, borrowings and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policies for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade payables and other payables and accruals

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (Continued)

Borrowings

Borrowings, which include bank loans, other loans and promissory notes, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Convertible notes

(i) Convertible notes contain liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible notes equity reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised, in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

(ii) Convertible notes contain liability and equity components, and early redemption option derivative

Convertible notes issued by the Company that contain liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes equity reserve.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (Continued)

Convertible notes (Continued)

(ii) *Convertible notes contain liability and equity components, and early redemption option derivative* (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest rate method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded conversion option is exercised (in which case the balance stated in the convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profit. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Where the convertible notes are redeemed, the consideration paid and any transactions cost thereof is allocated between the liability, conversion option and early redemption option components of the convertible notes at the date of the redemption. The difference between the consideration paid for the redemption of the liability component, which is determined using the prevailing market interest rate of similar non-convertible debts, and its carrying amount at the date of the redemption is recognised in profit or loss. Similarly, the different between the consideration paid for redemption of early redemption component, which is measured at fair value, and its carrying amount at the date of the redemption is recognised in profit or loss while the difference between the consideration paid for the redemption of the conversion option component and its carrying amount at the date of the transaction is included in equity (accumulated losses).

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivables for the sale of goods and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(ii) Management income

Management income is recognised when the services are rendered.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.14 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss using the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Retirement benefit costs and short-term employee benefits

Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the People's Republic of China (the "PRC") and Singapore, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiary operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

The subsidiary operating in Singapore are required to participate in post-employment benefits plans under which the subsidiary pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The subsidiary has no further payment obligations once the contributions have been paid.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, with a cap of monthly salaries of HK$25,000 commenced on or after 1 June 2012 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.19 Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The Group has identified the following reportable segments:

(i) Design and trading of jewelry products; and

(ii) Retailing of jewelry products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

The management policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except expenses related to share-based payments, finance costs, income tax, corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

2.22 Borrowings costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the Financial Statements

For the year ended 31 December 2013

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

The adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

In addition, the Group has early adopted the amendments to HKAS 36 which is described below in the current year.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments are effective for annual periods beginning on or after 1 January 2014. The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not effective, and have not been adopted by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments are effective for annual periods beginning on or after 1 January 2014. The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Notes to the Financial Statements

For the year ended 31 December 2013

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

HKFRS 9 Financial Instruments

No mandatory effective date has been determined for the standard but it is available for adoption. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

(ii) Impairment on receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment on receivables of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment on their ability to make payments, provision for impairment may be required.

Notes to the Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Income taxes

The Group is subject to income taxes in Hong Kong, Macau, Singapore and the PRC. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(iv) Estimated impairment on goodwill and other intangible assets

The Group tests on annual basis whether goodwill and other intangible assets are impaired in accordance with the accounting policy stated in note 2.7. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Details in impairment assessment are set out in note 16 and 17.

5. 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 year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sales	**298,256**	351,183
Other income		
Interest income	**56**	53
Management income	**–**	435
Exchange gain, net	**30**	551
Reversal of impairment provision on trade receivables	**303**	1,257
Sundry income	**1,015**	3,182
	1,404	5,478

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as operating segments as further described in note 2.21.

(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.

	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Total
		2013	
	HK$'000	*HK$'000*	*HK$'000*
Revenue:			
From external customers	13,035	285,221	298,256
Inter-segment revenue	940	3,499	4,439
Reportable segment revenue	13,975	288,720	302,695
Reportable segment loss	(3,126)	(75,561)	(78,687)
Bank interest income	–	54	54
Depreciation	206	3,832	4,038
Written off/loss on disposal of property, plant and equipment	–	80	80
Write-down of inventories to net realisable value	126	1,256	1,382
Reversal of impairment provision on trade receivables	303	–	303
Bad debts written off	2	–	2
Impairment on goodwill	–	43,736	43,736

		2013	
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	4,640	421,940	426,580
Additions to non-current segment assets	–	3,424	3,424
Reportable segment liabilities	727	127,044	127,771

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION (CONTINUED)

	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Total
		2012	
	HK$'000	*HK$'000*	*HK$'000*
Revenue:			
From external customers	4,880	346,303	351,183
Inter-segment revenue	2,536	21,380	23,916
Reportable segment revenue	7,416	367,683	375,099
Reportable segment loss	(3,263)	(10,631)	(13,894)
Bank interest income	–	53	53
Depreciation	280	3,306	3,586
Written off/loss on disposal of property, plant and equipment	–	2	2
Write-down of inventories to net realisable value	4,000	–	4,000
Reversal of impairment provision on trade receivables	1,257	–	1,257
Bad debts written off	156	–	156

		2012	
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	20,947	468,870	489,817
Additions to non-current segment assets	385	5,021	5,406
Reportable segment liabilities	722	152,556	153,278

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION (CONTINUED)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2013 HK$'000	2012 HK$'000
Reportable segment revenue	302,695	375,099
Elimination of inter segment revenue	(4,439)	(23,916)
Group revenue	298,256	351,183
Reportable segment loss	(78,687)	(13,894)
Equity-settled share-based payment expenses	–	(3,757)
Finance costs	(14,328)	(21,618)
Change in fair value of financial assets at fair value through profit or loss	(229)	(8,182)
Unallocated corporate income	416	4,728
Unallocated corporate expenses	(10,510)	(17,597)
Gain/(loss) on early redemption of convertible notes	450	(6,787)
Loss before income tax	(102,888)	(67,107)

	2013 HK$'000	2012 HK$'000
Reportable segment assets	426,580	489,817
Property, plant and equipment	366	923
Deposits	1,483	1,502
Financial assets at fair value through profit or loss	–	229
Bank and cash balances	246	527
Unallocated assets	3,423	6,021
Group assets	432,098	499,019
Reportable segment liabilities	127,771	153,278
Borrowings	–	–
Convertible notes	75,839	65,481
Unallocated	830	15,975
Group liabilities	204,440	234,734

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers and its non-current assets other than financial instruments are divided into the following geographical areas:

	Revenue from external customers		Non-current assets other than financial instruments	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong, Macau and Taiwan	**106,284**	151,430	**84,722**	128,215
Singapore	**184,549**	199,505	**838**	1,701
Europe	**–**	248	**–**	–
The United States of America and Canada	**7,423**	–	**–**	–
	298,256	351,183	**85,560**	129,916

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During the year, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) (2012: Nil) and no non-current assets were located in Bermuda (2012: Nil). The country of domicile is determined as the country where the Company was incorporated.

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest charges on other loan and bank loan wholly repayable within five years	**9,302**	11,032
Imputed interest expenses wholly repayable within five years		
– convertible notes (note 27)	**14,328**	12,567
– promissory notes (note 25(ii))	**–**	2,785
	23,630	26,384

Notes to the Financial Statements

For the year ended 31 December 2013

8. LOSS BEFORE INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/ (crediting):		
Auditors' remuneration – Current year	**762**	649
Auditors' remuneration – Under-provision in respect of prior year	**–**	131
Cost of inventories recognised as expense, including	**212,610**	255,548
– Write-down of inventories to net realisable value	**1,382**	4,000
Provision of impairment on trade receivables (note 22)	**–**	69
Reversal of impairment provision on trade receivables (note 22)	**(303)**	(1,257)
Bad debts written off (note 22)	**2**	156
Depreciation	**4,695**	4,688
Written off/loss on disposals of property, plant and equipment	**80**	158
Impairment on goodwill (note 16)	**43,736**	–
Change in fair value of financial assets at fair value through profit or loss (note 20)	**229**	8,182
(Gain)/loss on early redemption of convertible notes	**(450)**	6,787
Equity-settled share-based payment expenses ^	**–**	3,757
Employee benefit expense (including equity-settled share-based payment expenses) (note 13)	**36,395**	44,358
Exchange gain, net	**(30)**	(551)
Operating lease rentals in respect of rented premises	**45,057**	46,999

^ No equity-settled share-based payment expenses were related to employee benefit expense for the current year (2012: HK$3,307,000).

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For the year ended 31 December 2013

9. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current income tax – Hong Kong		
– Current year	**–**	–
– Over-provision in respect of prior years	**–**	(26)
Current income tax – Singapore		
– Current year	**1,061**	2,526
– Over-provision in respect of prior years	**(124)**	–
Current income tax – The PRC		
– Current year	**–**	67
Deferred tax		
– Current year (note 26)	**(558)**	(1,764)
	379	803

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI for the year (2012: Nil).

No income tax has been provided for Hong Kong as there is no estimated assessable profit derived from Hong Kong (2012: Nil).

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

No income tax has been provided for the PRC as there is no estimated assessable profit derived from the PRC for the year ended 31 December 2013. The PRC income tax had been provided at the rate of 25% on the estimated assessable profit for the year ended 31 December 2012.

No income tax has been provided for Macau as there is no estimated assessable profit derived from Macau for the year (2012: Nil).

Notes to the Financial Statements

For the year ended 31 December 2013

9. INCOME TAX EXPENSES (CONTINUED)

Reconciliation between income tax credit and accounting loss at applicable tax rate is as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before income tax	**(102,888)**	(67,107)
Tax credit on loss before income tax, calculated at applicable rate in the tax jurisdiction concerned	**(17,132)**	(11,036)
Tax effect of non-deductible expenses	**10,992**	9,610
Tax effect of non-taxable revenue	**(886)**	(768)
Tax effect of deductible temporary difference not recognised	**138**	545
Tax effect of tax loss not recognised	**7,979**	2,753
Utilisation of previously unrecognised tax losses	**(382)**	(114)
Over-provision in respect of prior years	**(124)**	(26)
Others	**(206)**	(161)
Income tax expense	**379**	803

10. DIVIDENDS

The board did not recommend any payment of dividend during the year ended 31 December 2013 (2012: Nil).

11. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$103,267,000 (2012: HK$67,910,000), a loss of HK$20,623,000 (2012: HK$11,379,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company of HK$103,267,000 (2012: HK$67,910,000) and on the weighted average number of 1,522,416,743 ordinary shares (2012: 1,173,808,085 ordinary shares, restated) in issue during the year. The weighted average number of ordinary shares adopted in calculation of the basic earnings per share for the year ended 31 December 2013 has been adjusted to reflect the impact of the bonus elements in the open offer in May 2013 (note 28(ii)) and the open offer in March 2014 (note 37). The comparative figures have also been restated accordingly.

For the year ended 31 December 2013 and 2012, basic loss per share is the same as diluted loss per share as there was no dilutive ordinary share.

Notes to the Financial Statements

For the year ended 31 December 2013

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2013 HK$'000	2012 HK$'000
Wages, salaries and allowances	34,202	39,008
Defined contribution retirement benefit scheme contributions	2,193	2,043
Equity-settled share-based payment expenses	–	3,307
	36,395	44,358

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company are as follows:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2013						
Executive directors						
Ms. Tsang Po Yee Pauline		–	780	–	15	795
Non-executive directors						
Mr. Tam B Ray Billy		–	240	–	12	252
Mr. Cheng Ping Yat		–	240	–	12	252
Mr. Lau Wan Pui Joseph	(a)	174	–	–	10	184
Independent non-executive directors						
Mrs. Chow Liang Shuk Yee Selina		600	–	–	–	600
Mr. Chan Tze Ching Ignatius		240	–	–	–	240
Mr. Fung Shing Kwong		210	–	–	–	210
Mr. Wong Tat Tung		180	–	–	9	189
		1,404	1,260	–	58	2,722

Notes to the Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Notes	Fees *HK$'000*	Salaries and allowances *HK$'000*	Share-based payment expenses *HK$'000*	Defined contribution retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Year ended 31 December 2012						
Executive directors						
Ms. Tsang Po Yee Pauline		–	780	–	14	794
Non-executive directors						
Mr. Tam B Ray Billy		–	240	–	12	252
Mr. Cheng Ping Yat	(d)	–	385	–	7	392
Mr. Chan Man Fai Joe	(e)	–	206	698	10	914
Mr. Lam Kin Kok	(b)	26	77	87	5	195
Independent non-executive directors						
Mrs. Chow Liang Shuk Yee Selina	(g)	55	–	–	–	55
Mr. Chan Tze Ching Ignatius	(g)	17	–	–	–	17
Mr. Fung Shing Kwong	(f)	20	–	–	–	20
Mr. Lau Wan Pui Joseph	(a)	20	–	–	–	20
Mr. Wong Tat Tung	(c)	94		–	5	99
Mr. Seto Man Fai	(e)	103	–	87	5	195
Mr. Ho Hin Hung Henry	(e)	103	–	87	5	195
		438	1,688	959	63	3,148

Notes:

(a) Appointed on 10 November 2012, redesignated from independent non-executive director to non-executive director on 1 June 2013 and removed on 3 December 2013.

(b) Redesignated from an independent non-executive director to a non-executive director on 19 March 2012 and resigned on 9 November 2012.

(c) Appointed on 19 March 2012.

(d) Appointed on 24 May 2012.

(e) Resigned on 9 November 2012.

(f) Appointed on 10 November 2012.

(g) Appointed on 28 November 2012.

Notes to the Financial Statements

For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2013 (2012: Nil).

No share options were granted to the directors of the Company during the year (2012: 2,750,000). The value of the share options granted to directors is measured according to the Group's accounting policy for share-based employee compensation as set out in note 2.19. Details of these benefits in kind including the principal terms and number of options granted are disclosed in note 30.

No emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2013 (2012: Nil).

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group for the year included 1 (2012: Nil) director whose emoluments are reflected in the analysis as shown in note 14(a). The emoluments of the remaining 4 (2012: 5) highest paid individuals for the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Basic salaries, bonuses and other allowances	**3,813**	8,590
Defined contribution retirement benefit scheme contributions	**54**	89
Equity-settled share-based payment expenses	**–**	2,348
	3,867	11,027

Their emoluments were within the following bands:

	2013 No. of individual	2012 No. of individual
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	1
	4	5

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For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) Remuneration of senior management

Remuneration of senior management of the Group, including amounts paid to the highest paid employees other than directors as disclosed in note 14(b) are within the following bands:

	2013 No. of individual	2012 No. of individual
Nil to HK$1,000,000	**4**	2
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	1
	5	7

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15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Moulds *HK$'000*	Total *HK$'000*
As at 1 January 2012					
Cost	3,148	1,269	4,299	461	9,177
Accumulated depreciation	(665)	(206)	(769)	(253)	(1,893)
Net book amount	2,483	1,063	3,530	208	7,284
Year ended 31 December 2012					
Opening net book amount	2,483	1,063	3,530	208	7,284
Additions	199	656	3,760	–	4,615
Depreciation	(1,039)	(445)	(3,066)	(138)	(4,688)
Disposals	(61)	(57)	(36)	–	(154)
Written off	(4)	–	–	–	(4)
Exchange differences	67	32	28	–	127
Closing net book amount	1,645	1,249	4,216	70	7,180
As at 31 December 2012					
Cost	3,369	1,887	6,871	461	12,588
Accumulated depreciation	(1,724)	(638)	(2,655)	(391)	(5,408)
Net book amount	1,645	1,249	4,216	70	7,180
Year ended 31 December 2013					
Opening net book amount	**1,645**	**1,249**	**4,216**	**70**	**7,180**
Additions	**271**	**207**	**3,709**	**–**	**4,187**
Depreciation	**(1,104)**	**(547)**	**(2,974)**	**(70)**	**(4,695)**
Disposals	**–**	**(3)**	**–**	**–**	**(3)**
Written off	**(34)**	**–**	**(43)**	**–**	**(77)**
Exchange differences	**(25)**	**(10)**	**3**	**–**	**(32)**
Closing net book amount	**753**	**896**	**4,911**	**–**	**6,560**
As at 31 December 2013					
Cost	**3,525**	**2,061**	**11,577**	**461**	**17,624**
Accumulated depreciation	**(2,772)**	**(1,165)**	**(6,666)**	**(461)**	**(11,064)**
Net book amount	**753**	**896**	**4,911**	**–**	**6,560**

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
As at 1 January 2012			
Cost	51	1,610	1,661
Accumulated depreciation	(2)	(244)	(246)
Net book amount	49	1,366	1,415
Year ended 31 December 2012			
Opening net book amount	49	1,366	1,415
Additions	574	–	574
Depreciation	(101)	(994)	(1,095)
Closing net book amount	522	372	894
As at 31 December 2012			
Cost	625	1,610	2,235
Accumulated depreciation	(103)	(1,238)	(1,341)
Net book amount	522	372	894
Year ended 31 December 2013			
Opening net book amount	**522**	**372**	**894**
Additions	**–**	**–**	**–**
Depreciation	**(156)**	**(372)**	**(528)**
Closing net book amount	**366**	**–**	**366**
As at 31 December 2013			
Cost	**625**	**1,610**	**2,235**
Accumulated depreciation	**(259)**	**(1,610)**	**(1,869)**
Net book amount	**366**	**–**	**366**

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16. GOODWILL – GROUP

The amount of goodwill recognised in the consolidated statement of financial position, arising from the acquisitions of subsidiaries, is as follows:

	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year		
Gross carrying amount	**48,818**	48,818
Accumulated impairment	**(5,082)**	(5,082)
Net carrying amount	**43,736**	43,736
For the year		
Opening net carrying amount	**43,736**	43,736
Impairment losses	**(43,736)**	–
Closing net carrying amount	**–**	43,736
At the end of the year		
Gross carrying amount	**48,818**	48,818
Accumulated impairment	**(48,818)**	(5,082)
Net carrying amount	**–**	43,736

For the purpose of impairment testing, goodwill is allocated to the following CGU:

	2013	2012
	HK$'000	*HK$'000*
Retailing of jewelry products in Hong Kong and Singapore	**–**	43,736

Goodwill of retailing of jewelry products in Hong Kong and Singapore arose from the acquisition of the Sharp Wonder Holdings Limited and its subsidiaries (the "Sharp Wonder Group") in 2011. The recoverable amount for this CGU was determined based on value in use calculations, covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rate of 0%. The discount rate applied to the cash flow projection was 14.7% (2012: 15.5%).

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16. GOODWILL – GROUP (CONTINUED)

The key assumptions also include stable profit margins, which have been determined based on past performance, and management's expectations for market share, after taking into consideration published market forecast and research. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to this CGU. The growth rate reflects the long-term average growth rate for the product line of the CGU.

For impairment testing, intangible assets with indefinite useful lives at 31 December 2013 were allocated to the CGU relating to the retailing of jewelry products in Hong Kong and Singapore.

Based on the assessment, the carrying amount of CGU was approximately HK$129,000,000 whereas the recoverable amount from value in use of the CGU was approximately HK$85,264,000 as at 31 December 2013, provision for impairment loss of HK$43,736,000 (2012: Nil) was recognised in profit or loss to write down to its recoverable amount. The impairment losses were fully allocated to goodwill.

Subsequent to the acquisition of the Sharp Wonder Group in 2011, the revenue and net profit generated from retailing of jewelry products in Hong Kong and Singapore has dropped. This was mainly due to unstable global economic environment, keen competition of jewelry market and decrease in demand of luxury jewelry products from the PRC customers.

17. INTANGIBLE ASSETS – GROUP

The amount of intangible assets recognised in the consolidated statement of financial position, arising from the acquisition of the Sharp Wonder Group, is as follows:

	Brand name
	HK$'000
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	
Gross and net carrying amount	79,000

In the opinion of the directors, brand name is considered to have an indefinite life as it has been in the market for many years and the nature of the industry in which the Group operates is that the brand obsolescence is not common if supported by appropriate level of marketing.

The fair value less costs to sell is based on a valuation report for the brand name prepared by an independent professional qualified valuer, LCH (Asia-Pacific) Surveyors Limited (2012: BMI Appraisals Limited). It is based on a relief-from-royalty method to estimate the Group does not have to pay a fair royalty to a third party for the use of the intangible assets and certain key assumptions including royalty rates of 2.5% (2012: 1.35%) and 3% (2012: 2.91%) for Hong Kong and Singapore respectively, and a discount rate of 16.66% (2012: 15.78%) and 12.67% (2012: 15.27%) for Hong Kong and Singapore respectively to determine the fair value less costs to sell. The recoverable amount of the brand name was determined to be in excess of its net carrying amount.

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For the year ended 31 December 2013

18. DEPOSITS – GROUP AND COMPANY

Deposits represented the non-current rental deposits paid. All of the deposits were refundable within five years and were denominated in HK$, Renminbi ("RMB") and Singapore dollars ("SGD"). These related to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**7,497**	7,497
Less: Impairment loss	**(7,490)**	(7,490)
	7	7
Amounts due from subsidiaries	**438,323**	405,686
Less: Impairment loss	**(123,929)**	(41,193)
	314,394	364,493
Amounts due to subsidiaries	**(13,665)**	(41,640)

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values at the reporting date because the amounts have a short maturity period on its inception, such that the time value of money impact is not significant.

Notes to the Financial Statements

For the year ended 31 December 2013

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (CONTINUED)

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name of company	Place of incorporation/ registration and type of legal entity	Particulars of issued share capital/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activity and place of operation
			Directly	Indirectly	
Allwin State Limited	BVI, limited liability company	1,000 ordinary shares of United States Dollars ("US$") 1 each	100%	–	Investment holding in Hong Kong
Alpha Wealth Investments Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Better Act Group Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
Better Win International Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
Eternity Diamonds Trading Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Inactive in Hong Kong
Eternity Jewelry Company Limited ("Eternity Jewelry")	Hong Kong, limited liability company	9,999 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products in Hong Kong
Eternity Jewelry (Macau) Company Limited	Macau, limited liability company	25,000 ordinary shares of Macau Pataca ("MOP") 1 each	–	100%	Inactive in Macau
Full Join Limited ("Full Join")	BVI, limited liability company	3,000 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
Invest Trade Group Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
Larry Jewelry Limited	Hong Kong, limited liability company	50,000,000 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products in Hong Kong
Larry Jewelry (1967) Pte Ltd.	Singapore, limited liability company	13,800,000 ordinary shares of SGD1 each	–	100%	Design and sale of jewelry products in Singapore

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19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (CONTINUED)

Name of company	Place of incorporation/ registration and type of legal entity	Particulars of issued share capital/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activity and place of operation
			Directly	Indirectly	
Merit Will Inc.	BVI, limited liability company	1,000 ordinary shares of US$1	100%	–	Investment holding in Hong Kong
New Larry Jewelry Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1	–	100%	Retailing of jewelry products in Hong Kong
Parkwell (Asia Pacific) Company Limited	Hong Kong, limited liability company	10 ordinary shares of HK$1	–	100%	Investment holding in Hong Kong
Parkwell Asia Limited ("Parkwell Asia")	BVI, limited liability company	1,000 ordinary shares of US$1	–	100%	Investment holding in Hong Kong
Peakwood Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Sharp Wonder Holdings Limited	BVI, limited liability company	3 ordinary shares of US$1	–	100%	Investment holding in Hong Kong
Vera Jewels Company Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1	–	100%	Design and sale of jewelry products in Hong Kong
俊文時尚(北京)商貿有限公司 Larry Fashion (Beijing) Trading Limited*	the PRC, wholly foreign owned enterprise	Registered share capital of HK$6,000,000	–	100%	Display of jewelry products in the PRC

* The English name is for the identification purpose only.

Notes to the Financial Statements

For the year ended 31 December 2013

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	2013	2012
	HK$'000	*HK$'000*
Redemption option derivatives		
At 1 January	**229**	3,130
Initial recognition (note 27)	**–**	8,560
Derecognition due to redemption of convertible notes	**–**	(3,279)
Change in fair value	**(229)**	(8,182)
At 31 December	**–**	229

As at 31 December 2013, the derivatives are related to the fair value of early redemption option of convertible notes issued by the Company and were revalued by an independent professional qualified valuer, LCH (Asia-Pacific) Surveyors Limited (2012: BMI Appraisals Limited), details of which are set out in note 27.

21. INVENTORIES – GROUP

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**36,542**	48,990
Work in progress	**6,417**	4,511
Finished goods	**239,208**	249,337
	282,167	302,838

22. TRADE RECEIVABLES – GROUP

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**4,735**	5,137
Less: Provision of impairment on trade receivables	**(119)**	(456)
	4,616	4,681

Notes to the Financial Statements

For the year ended 31 December 2013

22. TRADE RECEIVABLES – GROUP (CONTINUED)

The Group allows a credit period from 0 to 90 days (2012: 0 to 90 days) to its non-retail customers for the year. Based on the invoice dates, ageing analysis of trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
Within 30 days	4,588	4,647
31 – 60 days	25	15
61 – 90 days	–	–
91 – 180 days	–	1
181 – 365 days	3	4
Over 1 year	–	14
	4,616	4,681

Based on the due date, ageing analysis of trade receivables that are not impaired is as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	4,588	4,612
1 – 30 days past due	25	35
31 – 90 days past due	–	15
91 – 365 days past due	3	5
Over 1 year past due	–	14
	28	69
	4,616	4,681

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers.

Trade receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Notes to the Financial Statements

For the year ended 31 December 2013

22. TRADE RECEIVABLES – GROUP (CONTINUED)

Movement in the provision of impairment on trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
Balance at the beginning of the year	**456**	3,693
Impairment loss recognised (note 8)	**–**	69
Reversal of impairment loss (note 8)	**(303)**	(1,257)
Amounts written off as uncollectible	**–**	(2,131)
Exchange difference	**(34)**	82
Balance at the end of the year	**119**	456

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2013, the Group has determined trade receivables of HK$119,000 (2012: HK$456,000) as individually impaired. Based on this assessment, reversal of impairment loss, net of HK$303,000 (2012: HK$1,188,000) has been made in the year ended 31 December 2013. During the year, bad debts written off of HK$2,000 (2012: HK$156,000) were made in the profit or loss against trade receivables (note 8). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

23. BANK AND CASH BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Pledged bank deposits	**27,777**	28,084	**–**	–
Bank and cash balances	**13,560**	15,115	**246**	202

Pledge bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. At 31 December 2013, the pledged bank deposits of HK$7,730,000 and HK$20,047,000 carry interest at fixed rate of 0.25% to 0.6% (2012:0.6%) per annum and 0.05% to 0.27% (2012: 0.27%) per annum respectively. In addition, the pledged bank deposit of HK$20,047,000 (2012: HK$20,027,000) was pledged to secured bank loans of HK$29,956,000 (2012: HK$43,333,000) (note 25(iv)).

Cash at banks earns interest at floating rates based on daily bank deposits rates.

The directors consider that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period on their inception.

Notes to the Financial Statements

For the year ended 31 December 2013

24. TRADE PAYABLES – GROUP

The Group normally settles the outstandings due to trade payables within 0 to 150 days (2012: 0 to 150 days) credit term. Based on the invoice date, ageing analysis of trade payables is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Within 30 days	**9,859**	11,851
31 – 60 days	**4,191**	10,471
61 – 90 days	**1,571**	743
91 – 180 days	**8**	39
181 – 365 days	**–**	3
	15,629	23,107

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

25. BORROWINGS – GROUP AND COMPANY

		Group	
	Notes	2013 *HK$'000*	2012 *HK$'000*
Borrowings wholly repayable more than one year but not exceeding two years and classified as current liabilities			
Other loan, net of issuance expenses and secured	(iii)	**51,984**	–
Bank loan, secured	(iv)	**29,956**	–
		81,940	–
Borrowings wholly repayable more than two years but not exceeding five years and classified as current liabilities			
Other loan, net of issuance expenses and secured	(iii)	**–**	64,355
Bank loan, secured	(iv)	**–**	43,333
		–	107,688
		81,940	107,688

Notes to the Financial Statements

For the year ended 31 December 2013

25. BORROWINGS – GROUP AND COMPANY (CONTINUED)

Notes:

(i) On 4 July 2011, the Company entered into a loan agreement with a financial institution to borrow a fund of HK$125,000,000, which bears interest at the rate of 15% per annum and is repayable by 13 July 2012. During the year ended 31 December 2012, the loan amount was repaid in full.

(ii) As described in note 16, as a part of the consideration of the acquisition of the Sharp Wonder Group, the Company issued promissory notes with a principal amount of HK$150,000,000. The promissory notes were secured by a share charge dated 19 July 2011 over the entire issued share capital of Sharp Wonder, a wholly-owned subsidiary of the Group and bear interest at 3.5% per annum. HK$50,000,000 was due on 19 January 2012 and the remaining balance of HK$100,000,000 was due on 19 July 2012. The fair value at the date of issue amounting to HK$149,060,000 was calculated at the discounted borrowing rate of 4.29% per annum. For the year ended 31 December 2012, the promissory notes with principal amount of HK$150,000,000 and interest were repaid in full.

Movement of promissory notes is as follows:

	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year	–	151,940
Imputed interest expenses (note 7)	–	2,785
Interest paid	–	(4,725)
Repayment of promissory notes	–	(150,000)
At the end of the year	–	–

(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$234,000,000 (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.

Notes to the Financial Statements

For the year ended 31 December 2013

25. BORROWINGS – GROUP AND COMPANY (CONTINUED)

Notes: (Continued)

(iii) (Continued)

As at 31 December 2013, the outstanding principal amount due to GE Capital under the Facility Agreement was HK$55,836,000 (2012: HK$69,282,000).

Pursuant to the Facility Agreement, there is an event of default if, among other things, the various funds managed by Galaxy Asset Management (H.K.) Limited ("Galaxy Asset") cease to hold, on a collective basis, at least 10% the issued share capital of the Company. On 28 December 2012, the board of directors has been informed that the various funds managed by Galaxy Asset have ceased to hold, on a collective basis, at least 10% of the issued share capital of the Company and accordingly, an event of default under the Facility Agreement has occurred. Consequently, the GE Capital is entitled among other things, to demand immediate repayment of the outstanding amounts under the Facilities.

On 14 March 2013, the Company announced that following the discussion between the Company and the GE Capital, GE Capital agreed, among others, to waive the compliance by the Company with and amend the existing covenants under the Facility Agreement in relation to the percentage of shareholding held by Fullink Management Limited ("Fullink") and various funds managed by Galaxy Asset in the Company by entering into a supplemental agreement to the Facility Agreement (the "Supplemental Agreement") with the Company on 14 March 2013. Such amendment to the Facility Agreement was necessitated following the reduction of the percentage of shareholding interest held by various funds managed by Galaxy Assets in the Company to below 10% back in December 2012.

Pursuant to the Facility Agreement, there is an event of default if, the Company fails to comply with one or more of its financial undertakings. In November 2013, the management of the Company has been informed that the Company has failed to comply with one of the financial undertakings, an event of default under the Facility Agreement has occurred. Consequently, the GE Capital is entitled among other things, to demand immediate repayment of outstanding amounts under the Facilities.

On 18 March 2014, the Company received a letter from GE Capital in respect of waiver of the compliance by the Company with the financial undertaking back in November 2013.

The Group has classified the liability as current because, as at 31 December 2013 and 2012, it did not have an unconditional right to defer its settlement for at least twelve months after that date.

The Company executed a corporate guarantee to GE Capital in respect of the Facilities granted to subsidiaries of the Company. At the end of reporting period, no provision for the Company's obligation under the corporate guarantee contract had been made as the Group's management considered that it is not probable that the subsidiaries would default on the Facilities.

Details of the securities for the other loans are set out in note 34(a) and (b).

Notes to the Financial Statements

For the year ended 31 December 2013

25. BORROWINGS – GROUP AND COMPANY (CONTINUED)

Notes: (Continued)

(iv) 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 at 31 December 2012 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$20,047,000 (2012: HK$20,027,000) (note 23).

As at 31 December 2013, two of the covenants in relating to the bank loan were breached. The management of the Group informed the bank regarding the breach of the covenants. Up to the date of approving the financial statements, the Group did not receive any notification from the bank for demand immediate repayment of outstanding amounts of the bank loans and the Group, as scheduled, repaid the bank loan by monthly instalments.

The Group has classified the liability as current because, as at 31 December 2013, it did not have an unconditional right to defer its settlement for at least twelve months after that date.

The Company executed a corporate guarantee to bank in respect of the bank loan granted to a subsidiary of the Company. At the end of reporting period, no provision for the Company's obligation under the corporate guarantee contract had been made as the Group's management considered that it is not probable that the subsidiary would default on the bank loan.

26. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under liability method using applicable tax rates.

The movement of the deferred tax liabilities/(assets) is as follows:

	Fair value adjustment on business combination *HK$'000*	**Accelerated tax depreciation** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	16,583	194	16,777
Credited to profit or loss (note 9)	(1,764)	–	(1,764)
Exchange differences	–	9	9
At 31 December 2012 and 1 January 2013	14,819	203	15,022
Credited to profit or loss (note 9)	(558)	–	(558)
Exchange differences	–	(80)	(80)
At 31 December 2013	**14,261**	**123**	**14,384**

No deferred tax assets of HK$5,554,000 (2012: HK$4,409,000) on tax losses of HK$75,076,000 (2012: HK$26,721,000) have been recognised due to the unpredictability of future profit streams.

Notes to the Financial Statements

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27. CONVERTIBLE NOTES – GROUP AND COMPANY

(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. The Company may at any time after the second anniversary of the first issue date redeem the convertible notes at 120% of the principal amount by 14 days prior notice to a noteholder.

In February 2012, the Company and the CN1 holder agreed to change the redemption term of the CN1 from "the Company may at any time after the second anniversary of the first issue date redeem the convertible notes at 120% of the principal amount by 14 days prior notice to a noteholder" to "the Company may at any time from the first issue date purchase the whole or any part of the CN1 at the relevant purchase rate (i.e. such rate shall in any event not exceed 120% or, if no agreement could be reached, 120%) of the principal amount by serving a 14 days prior notice of redemption to the CN1 holder".

During the year ended 31 December 2012, the Company redeemed total principal amount of HK$40,000,000 of CN1 for a total consideration of HK$41,429,000, resulting in a loss of approximately HK$6,787,000 from the redemption, which was recognised in profit or loss.

During the current year, 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 recognised in profit or loss. As at 31 December 2013, the principal amount of HK$12,000,000 (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 28(ii).

(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 the Parkwell Asia Limited and its subsidiaries (the "Parkwell Group"). 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 28(ii).

(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$0.8 per conversion share, which bear interest at the rate of 3% per annum and will be redeemed by the Company on 22 March 2014 (the "Maturity Date") 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 28(ii).

Notes to the Financial Statements

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27. CONVERTIBLE NOTES – GROUP AND COMPANY (CONTINUED)

(c) (Continued)

On 20 January 2014, a CN3 holder who is the legal and beneficial owner of the CN3 of the Company in the principal amount of HK$34,000,000 executed an irrevocable undertaking which confirmed that the CN3 holder shall not demand the repayment of the CN3 in the principal amount of HK$34,000,000 ("Outstanding Principal") of any part thereof from the Company and shall withhold all legal actions or proceedings against the Company to recover the Outstanding Principal or any part thereof and shall not demand the Company to use any of the proceeds of the open offer in March 2014 to repay the Outstanding Principal or any part thereof subject to fulfilment of conditions (i) the completion of open offer (as disclosed in note 37) and (ii) the receipts of an amount equivalent to the aggregate of (a) 10% of the Outstanding Principal and the accrued interest on the Outstanding Principal on the Maturity Date by the CN3 holder from the Company.

For CN1 and CN3, the fair value of the liability component, include in current liabilities (2012: Non-current liabilities), was calculated using a market interest rate for an equivalent non-convertible notes net of issuance expenses. For the derivative asset component, it refers to the fair value of early redemption option by the Company. The residual amount, representing the value of the equity conversion component, was included in convertible notes equity reserve net of issuance expenses.

For CN2, the fair values of the liability component and the equity component were determined at the date of the issuance of the convertible notes. The fair value of the liability component, include in current liabilities (2012: Non-current liabilities), was calculated using a market interest rate for an equivalent non-convertible notes. The fair value of the equity component is included in convertible notes equity reserve.

On initial recognition, CN3 in the consolidated statement of financial position are calculated as follows:

	2012
	CN3
	HK$'000
Fair value of convertible notes issued	56,000
Issuance expenses	(1,697)
Derivative asset component (note 20)	8,560
Equity component	(20,394)
Liability component on initial recognition	42,469

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27. CONVERTIBLE NOTES – GROUP AND COMPANY (CONTINUED)

Movement of liability component for the year ended 31 December 2013 is as follows:

	CN1 *HK$'000*	CN2 *HK$'000*	CN3 *HK$'000*	Total *HK$'000*
At 1 January 2012	43,347	1,699	–	45,046
Liability component upon initial recognition	–	–	42,469	42,469
Imputed interest expenses (note 7)	4,487	107	7,973	12,567
Interest paid	(280)	–	–	(280)
Redemption of convertible notes	(34,321)	–	–	(34,321)
At 31 December 2012 and 1 January 2013	13,233	1,806	50,442	65,481
Imputed interest expenses (note 7)	2,413	113	11,802	14,328
Interest paid	(240)	–	(1,680)	(1,920)
Redemption of convertible notes	(2,050)	–	–	(2,050)
At 31 December 2013	13,356	1,919	60,564	75,839

Interest expenses of CN1, CN2 and CN3 were calculated using the effective interest rate method by applying the effective interest rate of 20.04%, 6.27% and 23.99% per annum respectively to the liability component.

28. SHARE CAPITAL

	Notes	**2013** Number of shares	**2013** *HK$'000*	2012 Number of shares	2012 *HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each,					
As at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013		**10,000,000,000**	**100,000**	10,000,000,000	100,000

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28. SHARE CAPITAL (CONTINUED)

	Notes	**2013** Number of shares	**2013** HK$'000	2012 Number of shares	2012 HK$'000
Issued and fully paid:					
Ordinary shares of HK$0.01 each,					
As at 1 January		**1,018,064,500**	**10,181**	864,854,500	8,649
Issue of share upon placing and subscription in May 2012	(i)	**–**	**–**	153,210,000	1,532
Issue of share upon open offer in May 2013	(ii)	**305,419,350**	**3,054**	–	–
Issue of share upon subscription in July 2013	(iii)	**172,970,900**	**1,730**	–	–
As at 31 December		**1,496,454,750**	**14,965**	1,018,064,500	10,181

Notes:

(i) On 23 March 2012, the Company entered into a subscription agreement with a subscriber for the subscription of an aggregate 150,650,000 new ordinary shares of the Company at a subscription price of HK$0.77 per subscription share. As a result, the Company issued 150,650,000 new ordinary shares at HK$0.77 per share on 21 May 2012. In addition, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 2,560,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.77 per placing share with the independent investors. The Company issued 2,560,000 new ordinary shares at HK$0.77 per share on 23 May 2012. As a result, there was an increase in share capital and share premium of HK$1,532,000 and HK$116,440,000 respectively. Details of the subscription are set out in the Company's announcements dated 25 March 2012, 25 April 2012, 14 May 2012 and 21 May 2012.

(ii) 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. As a result, there was an increase in share capital and share premium of HK$3,054,000 and HK$30,542,000 respectively. Details of the open offer are set out in the Company's announcements dated 5 April 2013 and 23 May 2013 and prospectus dated 26 April 2013.

(iii) On 24 June 2013, the Company entered into a subscription agreement with a subscriber for the subscription of an aggregate 172,970,900 new ordinary shares of the Company at a subscription price of HK$0.22 per subscription share. As a result, the Company issued 172,970,900 new ordinary shares at HK$0.22 per share on 16 July 2013. As a result, there was an increase in share capital and share premium of HK$1,730,000 and HK$36,324,000 respectively. Details of the subscription are set out in the Company's announcements dated 24 June 2013 and 16 July 2013.

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29. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

Company

	Share premium HK$'000	Capital contribution reserve HK$'000 (note (iii))	Convertible notes equity reserve HK$'000	Contributed surplus HK$'000 (note (ii))	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1 January 2012	236,005	3,988	17,206	5,689	8,683	(94,030)	177,541
Issue of convertible notes (note 27)	–	–	20,394	–	–	–	20,394
Issuance cost of convertible notes	–	–	(783)	–	–	–	(783)
Transfer on redemption of convertible notes	–	–	(8,525)	–	–	8,525	–
Redemption of convertible notes	–	–	(3,600)	–	–	–	(3,600)
Issue of shares upon placing (note 28(i))	116,440	–	–	–	–	–	116,440
Share issue expenses	(4,101)	–	–	–	–	–	(4,101)
Recognition of equity-settled share-based payments (note 30)	–	–	–	–	3,757	–	3,757
Share options forfeited (note 30)	–	–	–	–	(4,032)	4,032	–
Transactions with owners	112,339	–	7,486	–	(275)	12,557	132,107
Loss for the year	–	–	–	–	–	(60,062)	(60,062)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(60,062)	(60,062)
Balance as at 31 December 2012 and 1 January 2013	**348,344**	**3,988**	**24,692**	**5,689**	**8,408**	**(141,535)**	**249,586**
Redemption of convertible notes	**-**	**-**	**(606)**	**-**	**-**	**606**	**-**
Issue of shares upon open offer (note 28(ii))	**30,542**	**-**	**-**	**-**	**-**	**-**	**30,542**
Issue of shares upon subscription (note 28(iii))	**36,324**	**-**	**-**	**-**	**-**	**-**	**36,324**
Share issue expenses	**(1,639)**	**-**	**-**	**-**	**-**	**-**	**(1,639)**
Share options forfeited (note 30)	**-**	**-**	**-**	**-**	**(2,505)**	**2,505**	**-**
Transactions with owners	**65,227**	**-**	**(606)**	**-**	**(2,505)**	**3,111**	**65,227**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(103,360)**	**(103,360)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(103,360)**	**(103,360)**
Balance as at 31 December 2013	**413,571**	**3,988**	**24,086**	**5,689**	**5,903**	**(241,784)**	**211,453**

Notes to the Financial Statements

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29. RESERVES (CONTINUED)

Notes:

(i) Merger reserve

Merger reserve of the Group represented the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join; and (b) by Full Join and the share capital of Eternity Jewelry acquired through the shares swap pursuant to the reorganisation.

(ii) Contributed surplus

Contributed surplus of the Company represented the sum of difference between the net assets value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the reorganisation.

(iii) Capital contribution reserve

Capital contribution reserve represents the amount arising from a bonus issue of shares of the Company by way of capitalising the Company's retained profits and deemed capital contribution from a substantial shareholder.

30. SHARE-BASED COMPENSATION

The Company adopted a share option scheme (the "SO Scheme") on 21 September 2009 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries. The SO Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the GEM Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

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30. SHARE-BASED COMPENSATION (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the GEM Listing Rules.

The grant of share options is effective upon payment of a remittance of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

During the year, no share options (2012: 10,050,000 share options) were granted to certain directors, employees and consultants of the Group under the SO Scheme.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

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30. SHARE-BASED COMPENSATION (CONTINUED)

Movement of the share options and the exercise price

2013

				Number of share options						
Name/category of grantee	Notes	Date of grant	Exercisable period	Balance as at 1 January 2013	Adjusted during the year (note (iii))	Granted during the year	Exercised during the year	Forfeited during the year	Balance as at 31 December 2013	Exercise price per share HK$ (note (iii))
Executive directors										
Ms. Tsang Po Yee Pauline	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	923,790	-	-	-	6,733,790	0.647
Non-executive directors										
Mr. Tam B Ray Billy	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	923,790	-	-	-	6,733,790	0.647
				11,620,000	1,847,580	-	-	-	13,467,580	
Employees										
In aggregate	(i)	28 March 2012	28 March 2012 to 28 March 2015	7,300,000	1,160,700	-	-	(6,142,700)	2,318,000	0.664
Third parties										
In aggregate	(ii)	8 March 2011	8 March 2011 to 7 March 2013	17,000,000	-	-	-	(17,000,000)	-	0.553
In aggregate	(ii)	4 October 2011	4 October 2011 to 3 October 2013	30,000,000	4,615,385	-	-	(34,615,385)	-	0.650
				47,000,000	4,615,385	-	-	(51,615,385)	-	
Total				65,920,000	7,623,665	-	-	(57,758,085)	15,785,580	

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30. SHARE-BASED COMPENSATION (CONTINUED)

Movement of the share options and the exercise price (Continued)

2012

				Number of share options					
Name/category of grantee	Notes	Date of grant	Exercisable period	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Forfeited during the year	Balance as at 31 December 2012	Exercise price per share HK$
Executive directors									
Ms. Tsang Po Yee Pauline	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	–	5,810,000	0.75 (note (iv))
Non-executive directors									
Mr. Chan Man Fai Joe*	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	(5,810,000)	–	0.75
	(i)	28 March 2012	28 March 2012 to 28 March 2015	–	2,000,000	–	(2,000,000)	–	0.77
Mr. Tam B Ray Billy	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	–	5,810,000	0.75 (note (iv))
Mr. Lam Kin Kok#	(i)	28 March 2012	28 March 2012 to 28 March 2015	–	250,000	–	(250,000)	–	0.77
Independent non-executive directors									
Mr. Seto Man Fai*	(i)	28 March 2012	28 March 2012 to 28 March 2015	–	250,000	–	(250,000)	–	0.77
Mr. Ho Hin Hung Henry*	(i)	28 March 2012	28 March 2012 to 28 March 2015	–	250,000	–	(250,000)	–	0.77
				17,430,000	2,750,000	–	(8,560,000)	11,620,000	
Employees									
In aggregate	(i)	28 March 2012	28 March 2012 to 28 March 2015	–	7,300,000	–	–	7,300,000	0.77 (note (iv))
Third parties									
In aggregate	(ii)	8 March 2011	8 March 2011 to 7 March 2013	17,000,000	–	–	–	17,000,000	0.553
In aggregate	(ii)	30 September 2011	30 September 2011 to 29 September 2014	4,600,000	–	–	(4,600,000)	–	0.55
In aggregate	(ii)	4 October 2011	4 October 2011 to 3 October 2013	30,000,000	–	–	–	30,000,000	0.75 (note (iv))
				51,600,000	–	–	(4,600,000)	47,000,000	
Total				69,030,000	10,050,000	–	(13,160,000)	65,920,000	

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30. SHARE-BASED COMPENSATION (CONTINUED)

Redesignated from independent non-executive director to non-executive director on 19 March 2012 and resigned on 9 November 2012.

* Resigned on 9 November 2012

Notes:

(i) The fair values of share options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	2012
Date of grant	28 March 2012
Share price at date of grant	HK$0.77
Expected volatility	72.27%
Expected option life	3 years
Risk-free interest rate	0.35%
Exercise price	HK$0.77

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(ii) The fair values of share options granted were determined by the fair value of the services received from these third parties.

Notes to the Financial Statements

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30. SHARE-BASED COMPENSATION (CONTINUED)

Notes: (Continued)

(iii) The exercise prices for the share options granted and the number of shares in respect of share options granted were adjusted to reflect the impact of the open offer in May 2013. Details of the above are set out in the Company's announcements dated 23 May 2013.

On 13 March 2014, the Group announced that another open offer was completed. No exercise prices for the share options granted and the number of shares of share options granted were adjusted to reflect the impact of open offer in March 2014. Details of the adjustments of the share options are set out in the Company's announcement dated 13 March 2014.

(iv) No exercise prices for the share options granted and the number of shares of share options granted were adjusted to reflect the impact of the open offers in March 2014 and May 2013.

Share options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	2013		2012	
	Number of share options	**Weighted average exercise price** *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding as at 1 January	**65,920,000**	**0.701**	69,030,000	0.688
Adjusted	**7,623,665**	**0.651**	–	–
Granted	**–**	**–**	10,050,000	0.77
Exercised	**–**	**–**	–	–
Forfeited (Note)	**(57,758,085)**	**0.623**	(13,160,000)	0.684
Outstanding as at 31 December	**15,785,580**	**0.649**	65,920,000	0.701
Exercisable as at 31 December	**15,785,580**	**0.649**	65,920,000	0.701

Note:

Included in 57,758,085 forfeited share options, 51,615,385 share options expired during the year ended 31 December 2013.

The share options outstanding at 31 December 2013 had exercise prices of HK$0.647 to HK$0.664 per share (2012: HK$0.55 to HK$0.77 per share) and weighted average remaining contractual life of 6.32 years (2012: 2.08).

There were no equity-settled share-based payments (2012: HK$3,757,000) recognised in profit or loss for the year. The corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

During the year, as two employees and a consultant (2012: four directors and a consultant) resigned, 57,758,085 share options (2012: 13,160,000 share options) granted to them were forfeited accordingly. As a result, there was a decrease in share option reserve of HK$2,505,000 (2012: HK$4,032,000) and a transfer to accumulated losses of HK$2,505,000 (2012: HK$4,032,000).

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31. OPERATING LEASE COMMITMENTS

As at 31 December 2013, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

Group

	2013	2012
	HK$'000	*HK$'000*
Within one year	**43,560**	45,044
In the second to fifth years inclusive	**17,738**	45,052
	61,298	90,096

Company

	2013	2012
	HK$'000	*HK$'000*
Within one year	**537**	1,477
In the second to fifth years inclusive	**–**	537
	537	2,014

Operating lease payments represent rentals payable by the Group for office premises, retail shops and a staff quarter. The leases run for initial periods of 1 – 3 years (2012: 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. A leasing arrangement has been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

32. OTHER COMMITMENTS

Group

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for:		
Design fee	**2,107**	–

Company

At the reporting date, the Company has no other commitments (2012: Nil).

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33. RELATED PARTY TRANSACTIONS

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

	2013	2012
	HK$'000	*HK$'000*
Management income from:		
– a related company	**–**	435
Rental expenses paid to:		
– a related company	**7,722**	15,484

During the year ended 31 December 2012, management income was received from a related company with a common director.

During the year ended 31 December 2013 and 2012, rental expenses were paid to a related company in which key management of the Company's subsidiary is a director of the related company.

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

(ii) Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 14 to the financial statements.

34. PLEDGE OF ASSETS

(a) At 31 December 2013 and 2012, 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 31 December 2013 and 2012, 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.

Notes to the Financial Statements

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure. The Group does not hold or issue derivative financial instruments for trading purpose during the year.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to a variety of risks which resulted from both its operating and investing activities. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

35.1 Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities as recognised at the reporting date are categorised as follows. See notes 2.8 and 2.11 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Redemption option derivatives	**–**	229	**–**	229
Loans and receivables:				
Trade receivables	**4,616**	4,681	**–**	–
Deposits and other receivables	**13,567**	2,587	**1,483**	840
Amounts due from subsidiaries	**–**	–	**314,394**	364,486
Pledged bank deposits	**27,777**	28,084	**–**	–
Bank and cash balances	**13,560**	15,115	**246**	202
	59,520	50,696	**316,123**	365,757
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**15,629**	23,107	**–**	–
Other payables and accruals	**11,435**	20,845	**728**	746
Borrowings	**81,940**	107,688	**–**	–
Convertible notes	**75,839**	65,481	**75,839**	65,481
Amounts due to subsidiaries	**–**	–	**13,665**	41,640
	184,843	217,121	**90,232**	107,867

Notes to the Financial Statements

For the year ended 31 December 2013

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in HK$, US$ and SGD. Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions. Exposures to currency exchange rates mainly arise from a subsidiary of the Group operating in Singapore.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the year, management of the Group used certain foreign currency forward contracts to hedge the exposure to foreign exchange risk.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rate, is as follows:

	US$
	HK$'000
As at 31 December 2013	
Bank and cash balances	**7,730**
Trade payables	**(8,178)**
Gross exposure arising from financial assets and liabilities	**(448)**

	US$
	HK$'000
As at 31 December 2012	
Bank and cash balances	8,057
Trade payables	(19,516)
Gross exposure arising from financial assets and liabilities	(11,459)

The following table illustrates the sensitivity of the Group's loss after income tax and accumulated losses in regards to 5% for US$ for the year appreciation in the Group entities' functional currencies against the respective foreign currencies. The above percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency rates taking place at the beginning of the year and held constant throughout the year.

Notes to the Financial Statements

For the year ended 31 December 2013

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.2 Market risk (Continued)

(i) *Foreign currency risk* (Continued)

	US$
	HK$'000
As at 31 December 2013	
Loss for the year and accumulated losses	**(22)**
As at 31 December 2012	
Loss for the year and accumulated losses	(573)

A same percentage change in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss for the year and accumulated losses but of opposite effect.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(ii) *Interest rate risk*

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings and interest bearing bank balances.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Cash at banks earn interest at floating rates of 0.01% per annum based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and SIBOR.

The Group continually assesses and monitors the exposure to interest rate risk. During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements

For the year ended 31 December 2013

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the directors. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the directors. When overdue balances and significant trade receivables are highlighted, the directors determine the appropriate recovery actions. It is not the Group's policy to request collateral from its customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally non-retail customers are granted credit terms ranging from 0 to 90 days (2012: 0 to 90 days). Ageing analysis of trade receivables that are not impaired is set out in note 22. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

All the Group's bank and cash balances and bank time deposits are held in the banks in Hong Kong, Singapore, the PRC and Macau. The credit risk on liquid funds is limited because the counterparties are the banks with good credit-rating.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

35.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The liquidity risk of the Group is managed by the cash and cash equivalents generated from operating cash flow and short term loans when necessary. The Group has net current assets of HK$148,478,000 (2012: HK$204,755,000) and has bank and cash balances of HK$13,560,000 (2012: HK$15,115,000) as at 31 December 2013. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.4 Liquidity risk (Continued)

The following table details the remaining contractual maturities at each of the reporting dates of the financial liabilities, which are based on the earliest date the Group may be required to pay:

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year *HK$'000*
Group				
As at 31 December 2013				
Trade payables	**15,629**	**15,629**	**15,629**	**–**
Other payables and accruals	**11,435**	**11,435**	**11,435**	**–**
Borrowings	**81,940**	**82,652**	**74,285**	**8,367**
Convertible notes	**75,839**	**79,113**	**79,113**	**–**
	184,843	**188,829**	**180,462**	**8,367**
Group				
As at 31 December 2012				
Trade payables	23,107	23,107	23,107	–
Other payables and accruals	20,845	20,845	20,845	–
Borrowings	107,688	112,165	112,165	–
Convertible notes	65,481	74,480	1,960	72,520
	217,121	230,597	158,077	72,520
Company				
As at 31 December 2013				
Other payables and accruals	**728**	**728**	**728**	**–**
Convertible notes	**75,839**	**79,113**	**79,113**	**–**
Amounts due to subsidiaries	**13,665**	**13,665**	**13,665**	**–**
	90,232	**93,506**	**93,506**	**–**
Company				
As at 31 December 2012				
Other payables and accruals	746	746	746	–
Convertible notes	65,481	74,480	1,960	72,520
Amounts due to subsidiaries	41,640	41,640	41,640	–
	107,867	116,866	44,346	72,520

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.4 Liquidity risk (Continued)

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table that follows summarises the maturity analysis of bank loan with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreement. The amount includes interest payments computed using contractual rate. As a result, this amount was greater than the amount disclosed in the "on demand" time band in the maturity analysis contained in page 109. Taking into account the Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 5 years	More than 2 year but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
As at 31 December 2013					
Bank loans	**29,956**	**30,668**	**22,301**	**8,367**	**–**
Group					
As at 31 December 2012					
Bank loans	43,333	45,203	14,535	22,301	8,367

35.5 Fair value measurements recognised in the statement financial position – Group and Company

The fair value hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

35.5 Fair value measurements recognised in the statement financial position – Group and Company (Continued)

The financial assets measured at fair value in the statement of financial position are grouped into fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2013				
Financial assets at fair value through profit or loss				
– Redemption option derivatives	–	–	–	–
31 December 2012				
Financial assets at fair value through profit or loss				
– Redemption option derivatives	–	229	–	229

The derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market currency and interest rates.

36. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for equity holders;

(b) to support the Group's sustainable growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to equity holders, return capital to equity holders or issue new shares. Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2013 amounted to HK$227,658,000 (2012: HK$264,285,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities. The Group's overall capital management strategy remains unchanged during the year.

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37. EVENTS AFTER THE REPORTING DATE

(i) On 3 January 2014, the Group announced a proposed open offer to raise not less than approximately HK$125,700,000 and not more than approximately HK$130,630,000 before expenses by issuing not less than 1,047,518,325 new ordinary shares and not more than 1,088,589,641 new ordinary shares at the subscription price of HK$0.12 per share on the basis of seven offer shares for every ten shares held by the shareholders. The board of directors considers that the open offer represents an opportunity for the Group to enhance its working capital and facilitate its business expansion. The proposed open offer was approved in a special general meeting on 10 February 2014 and completed on 13 March 2014. Details of the completion of the open offer are set out in the Company's announcement dated 13 March 2014.

(ii) On 20 January 2014, a CN3 holder who is the legal and beneficial owner of the CN3 of the Company in the principal amount of HK$34,000,000 executed an irrevocable undertaking which confirmed that the CN3 holder shall not demand the repayment of the CN3 in the Outstanding Principal of any part thereof from the Company and shall withhold all legal actions or proceedings against the Company to recover the Outstanding Principal or any part thereof and shall not demand the Company to use any of the proceeds of the open offer in March 2014 to repay the Outstanding Principal or any part thereof subject to fulfilment of conditions (i) the completion of open offer and (ii) the receipts of an amount equivalent to the aggregate of (a) 10% of the Outstanding Principal and the accrued interest on the Outstanding Principal on the Maturity Date by the CN3 holder from the Company.

(iii) On 18 March 2014, the Company received a letter from GE Capital in respect of waiver of the compliance by the Company with the financial undertaking back in November 2013.