



INTERIM REPORT 2014

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 enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of directors (the “Board”) of Larry Jewelry International Company Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2014 together with the unaudited comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	56,183	62,927	112,349	131,580
Cost of sales		(42,228)	(44,001)	(81,428)	(92,573)
Gross profit		13,955	18,926	30,921	39,007
Other income	3	525	827	963	998
Selling and distribution costs		(18,466)	(17,045)	(36,583)	(33,033)
Administrative expenses		(8,729)	(10,588)	(17,615)	(22,622)
Operating loss		(12,715)	(7,880)	(22,314)	(15,650)
Finance costs	4	(2,772)	(6,154)	(8,055)	(11,696)
Loss before income tax	5	(15,487)	(14,034)	(30,369)	(27,346)
Income tax credit	6	223	111	198	126
Loss for the period attributable to the owners of the Company		(15,264)	(13,923)	(30,171)	(27,220)
Loss per share for loss attributable to the owners of the Company during the period					
– Basic and diluted (HK cents)	8	(0.58)	(1.28)	(1.39)	(2.51)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2014

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to the owners of the Company	(15,264)	(13,923)	(30,171)	(27,220)
Other comprehensive income				
Exchange gain/(loss) on translation of financial statements of foreign operations	531	(2,019)	1,316	(3,113)
Total comprehensive loss for the period attributable to the owners of the Company	(14,733)	(15,942)	(28,855)	(30,333)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		As at 30 June 2014 (Unaudited) <i>HK\$'000</i>	As at 31 December 2013 (Audited) <i>HK\$'000</i>
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	5,180	6,560
Intangible assets		79,000	79,000
Deposits		5,948	8,004
		90,128	93,564
Current assets			
Inventories	10	261,751	282,167
Trade receivables	11	2,715	4,616
Prepayments, deposits and other receivables		19,034	10,414
Pledged bank deposits		27,800	27,777
Bank and cash balances		64,306	13,560
		375,606	338,534

		As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
	Notes		
Current Liabilities			
Trade payables	12	10,345	15,629
Other payables and accruals		10,841	15,529
Borrowings	13	64,741	81,940
Convertible notes	14	16,551	75,839
Provision for tax		1,007	1,119
		103,485	190,056
Net current assets		272,121	148,478
Total assets less current liabilities		362,249	242,042
Non-current liabilities			
Deferred tax liabilities		13,959	14,384
Net assets		348,290	227,658
EQUITY			
Equity attributable to the owners of the Company			
Share Capital	15	28,087	14,965
Reserves		320,203	212,693
Total equity		348,290	227,658

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Convertible Capital contribution reserve HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 31 December 2013 and 1 January 2014	14,965	413,571	3,988	24,086	5,903	(830)	(4,404)	(229,621)	227,658
Transfer on redemption of convertible notes	-	-	-	(19,611)	-	-	-	19,611	-
Issue of shares	13,122	141,696	-	-	-	-	-	-	154,818
Share issue expenses	-	(5,331)	-	-	-	-	-	-	(5,331)
Transactions with owners	13,122	136,365	-	(19,611)	-	-	-	19,611	149,487
Loss for the period	-	-	-	-	-	-	-	(30,171)	(30,171)
Other comprehensive income									
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	1,316	-	1,316
Total comprehensive income for the period	-	-	-	-	-	-	1,316	(30,171)	(28,855)
At 30 June 2014	28,087	549,936	3,988	4,475	5,903	(830)	(3,088)	(240,181)	348,290

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2014

	Six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(16,815)	(24,285)
Net cash used in investing activities	(921)	(199)
Net cash generated from financing activities	67,166	43,708
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,430	19,224
Cash and cash equivalents as at the beginning of the period	13,560	15,115
Effect of foreign exchange rate changes	1,316	(3,103)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD	64,306	31,236
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	64,306	31,236

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS

1. GENERAL INFORMATION

Larry Jewelry International Company Limited (the “Company”) was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 13/F., Pacific House, 20 Queen’s Road Central, Hong Kong. The Company’s shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM of the Stock Exchange”) since 7 October 2009.

The Company’s principal activity has not changed during the period and consisted of investment holding. The principal activity of its subsidiaries (together with the Company referred to as the “Group”) are principally engaged in designing, sale and retailing of a broad range of fine jewelry products.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with 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 GEM Listing Rules.

The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2013, except for the new standards, amendments and interpretations (“the New HKFRSs”) issued by the HKICPA that are adopted for the first time for the current financial statements. The adoption of the New HKFRSs had no material impact on the Group’s financial statements. The Group has not early adopted any New HKFRSs that have been issued but are not yet effective.

The financial statements have been prepared under historical cost convention.

3. REVENUE AND OTHER INCOME

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sales	56,183	62,927	112,349	131,580
Other income				
Exchange (loss)/gain, net	(93)	-	85	-
Gain on early redemption of convertible notes	-	451	-	451
Interest income	4	16	132	16
Reversal of impairment provision on trade receivables	-	152	108	233
Sundry income	614	208	638	298
	525	827	963	998

4. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on other loan and bank loan wholly repayable within five years	2,131	2,481	4,042	4,822
Imputed interest expenses wholly repayable within five years				
- convertible notes	641	3,673	4,013	6,874
	2,772	6,154	8,055	11,696

5. LOSS BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Loss before income tax is arrived at after charging:				
Auditors' remuneration	176	300	344	310
Cost of inventories recognised as expense	42,228	44,001	81,428	92,573
Depreciation	1,138	1,241	2,308	2,638
Written off/loss on disposals of property, plant and equipment	12	34	102	34
Change in fair value of financial assets at fair value through profit or loss	-	48	-	170
Employee benefit expense	7,860	9,896	15,659	19,898
Operating lease rentals in respect of rented premises	13,364	11,307	26,967	23,132

6. INCOME TAX CREDIT

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
– Singapore	38	(198)	(105)	(385)
Deferred tax	185	309	303	511
	223	111	198	126

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the “BVI”), the Company and its subsidiaries are not subject to any income tax in Bermuda and the BVI during the three months and six months ended 30 June 2014 and 2013.

No income tax has been provided for Hong Kong as there is no estimated assessable profit derived from Hong Kong. During the three months and six months ended 30 June 2014 and 2013, Hong Kong profits tax rate is 16.5% (three months and six months ended 30 June 2013: 16.5%).

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit for the three months and six months ended 30 June 2014 (three months and six months ended 30 June 2013: 17%).

No income tax has been provided for PRC and Macau as there is no estimated assessable profit derived from PRC and Macau during the three months and six months ended 30 June 2014 and 2013.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 and 2013.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to the owners of the Company for the three months and six months ended 30 June 2014 of HK\$15,264,000 (2013: HK\$13,923,000) and HK\$30,171,000 (2013: HK\$27,220,000) and the weighted average number for the three months and six months ended 30 June 2014 of 2,605,055,383 and of 2,163,777,986 ordinary shares in issue. The weighted average number of 1,083,873,000 ordinary shares in issue during the last period.

For the three months and six months ended 30 June 2014 and 2013, basic loss per share is same as diluted loss per share as there was no dilutive ordinary share.

9. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group spent approximately HK\$1,030,000 (six months ended 30 June 2013: approximately HK\$499,000) on acquisition of property, plant and equipment.

10. INVENTORIES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Raw materials	32,255	36,542
Work in progress	5,678	6,417
Finished goods	223,818	239,208
	261,751	282,167

11. TRADE RECEIVABLES

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

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 30 days	2,607	4,588
31 – 60 days	38	25
61 – 90 days	63	–
91 – 180 days	–	–
181 – 365 days	3	3
Over 1 year	4	–
	2,715	4,616

12. TRADE PAYABLES

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

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 30 days	3,824	9,859
31 – 60 days	6,521	4,191
61 – 90 days	–	1,571
91 – 180 days	–	8
181 – 365 days	–	–
	10,345	15,629

13. BORROWINGS

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Borrowings wholly repayable within one year and classified as current liabilities		
Other loan, unsecured (i)	17,000	–
Bank loan, net of issuance expenses and secured (ii)	20,806	–
Borrowings wholly repayable more than one year but not exceeding two years and classified as current liabilities		
Bank loan, net of issuance expenses and secured (ii)	–	29,956
Other loan, net of issuance expenses and secured (iii)	26,935	51,984
	64,741	81,940

- (i) On 14 May 2014, the Company, as borrower, entered into a loan agreement with a non-financial institution (the “Lender”), as lender, pursuant to which the Lender agreed to make available to the Company a term loan in a principal amount HK\$17,000,000 (“1st Loan”). The 1st Loan bears interest at the rate of 10% per annum and the 1st Loan together with all accrued interest shall be repaid by the Company to the Lender on 31 March 2015.

On 14 May 2014, the Company also entered into another loan agreement with the Lender, pursuant to which the Lender agreed to make available to the Company a term loan in a principal amount HK\$17,000,000 (the “2nd Loan”). The 2nd Loan bears interest at the rate of 12% per annum and the 2nd Loan together with all accrued interest shall be repaid by the Company to the Lender on 30 June 2014 (the “Repayment Date”). Both parties agree that the Repayment Date shall automatically extend for a period of three (3) months to 30 September 2014 (the “1st Extended Repayment Date”) provided, inter alia, that the Company shall have paid interest on the outstanding amount of the 2nd Loan at the rate of 12% per annum from 22 March 2014 to the Repayment Date on or before the Repayment Date and shall continue to pay interest on the outstanding amount of the 2nd Loan at the rate of 13% per annum. Both parties further agree that the 1st Extended Repayment Date shall automatically extend for a further period

of three (3) months to 31 December 2014 (the "2nd Extended Repayment Date") provided, inter alia, that the Company shall have paid interest on the outstanding amount of the 2nd Loan at the rate of 13% per annum from the Repayment Date to the 1st Extended Repayment Date on or before the 1st Extended Repayment Date and shall continue to pay interest on the outstanding amount of the Loan at the rate of 14% per annum and it was fully repaid in June 2014.

- (ii) On 26 April 2012, the Group drawn down a bank loan of HK\$50,000,000, which bears interest at the rate of 3% per annum over HIBOR and is repayable by 36 monthly instalments starting from May 2012. The outstanding amount of the bank loan that is not scheduled to repay within one year is classified as current liabilities as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. The bank loan is secured by a time deposit of HK\$20,000,000. As of 30 June 2014, the outstanding principal amount is HK\$20,833,333.
- (iii) On 4 July 2012, Larry Jewelry (1967) Pte Limited and Larry Jewelry Limited, both being wholly owned subsidiaries of the Company (the "Borrowers"), and the Company as one of the guarantors with other subsidiaries of the Company have entered into a facility agreement (the "Facility Agreement") with GE Capital Services Pte Ltd and GE Commercial Finance (Hong Kong) Limited (collectively, "GE Capital"), in relation to the provision of facilities in an aggregate amount up to HK\$234 million (the "Facilities") to the Group.

The Facilities have a maturity period of three years from the date of the first drawdown under the Facility Agreement.

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

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

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

14. CONVERTIBLE NOTES

- (a) On 11 July 2011, an aggregate principal amount of HK\$54,000,000 of the convertible notes ("CN1") were issued to the placees with the conversion price of HK\$1.50 per conversion share, which bear interest at the rate of 2% per annum and will be redeemed by the Company on 11 July 2014 at 120% of its principal amount.
- (b) On 8 September 2011, a zero coupon convertible notes in the principal amount of HK\$2,000,000 ("CN2") were issued, as a part of the consideration for the acquisition of Parkwell Asia Limited. CN2 bear no interest and were issued with the conversion price of HK\$1.00 per conversion share and will be redeemed by the Company on 8 September 2014 at 100% of its principal amount.
- (c) On 22 March 2012, an aggregate principal amount of HK\$56,000,000 of the convertible notes ("CN3") were issued to the placees with the conversion price of HK\$0.80 per conversion share, which bear interest at the rate of 3% per annum and was redeemed by the Company on 22 March 2014 at 110% of its principal amount.

Movement of liability component for the period from 1 January 2014 to 30 June 2014 is as follows:

	CN1	CN2	CN3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2014	13,356	1,919	60,564	75,839
Imputed interest expenses	1,216	60	2,716	3,992
Interest paid	-	-	(1,680)	(1,680)
Redemption of convertible notes	-	-	(61,600)	(61,600)
At 30 June 2014	14,572	1,979	-	16,551

15. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2014, ordinary shares of HK\$0.01 each	1,496,454,750	14,965
Issue of shares (note i)	1,047,518,325	10,475
Issue of shares (note ii)	264,690,000	2,647
At 30 June 2014, ordinary share of HK\$0.01 each	2,808,663,075	28,087

Note:

- (i) On 13 March 2014, a total of 1,047,518,325 new ordinary shares of the Company were issued at HK\$0.12 each as a result of the Open Offer to the shareholders of the Company, on the basis of seven offer shares for every ten shares held by the shareholders.
- (ii) On 10 June 2014, a total of 264,690,000 placing shares were placed by the placing agent to not less than six placees at the placing price of HK\$0.11 per placing share.

16. COMMITMENTS

Operating Lease Commitments

As at 30 June 2014, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within one year	28,818	43,560
In the second to fifth years inclusive	25,539	17,738
Over five years	670	–
	55,027	61,298

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

17. RELATED PARTY TRANSACTIONS

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

	As at 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Rental expenses paid	–	7,857

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

18. EVENTS AFTER THE REPORTING DATE

On 11 July 2014, an aggregate principal amount of HK\$54,000,000 of the convertible notes (“CN 1”) was redeemed by the Company at 120% of its principal amount.

On 30 July 2014, a total of 561,730,000 places shares were placed by the placing agent to not less than six placees at the placing price of HK\$0.10 per placing share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first six months of the year were somewhat disappointing for Larry Jewelry in terms of sales, with the Group recording a drop in revenue as a result of the downturn in the broader business environment. The Group's sales growth decreased by approximately 14.6% as a result of the downturn and the continued austerity measures implemented by the Chinese government to crackdown on corruption and luxury spending. According to figures published by the HKSAR Government, retail sales in Hong Kong declined for five straight months from February to June 2014, and whole sales of jewelry, watches, clocks and valuable gifts declined by 16.7% during the first half. April, in particular, saw sales in this category declined by 39.9% year on year, while May and June declined by 24.5% and 28.2% respectively. In terms of our on going cost-control measures, the Group made a concerted effort to pare down its inventory over the past year, particularly its aged inventory, recording a reduction of 14.7% year on year as at 30 June 2014, and a reduction of approximately 7.2% from December 31, 2013. In term of operational expenses, the Group has made a substantial reduction, particularly those relating to rental and staff expenses, since the appointment of new management.

Despite the setback in the sales environment, the Group continued to think of the future of the business, and as such, made a number of significant changes.

In April, the Board of Directors appointed Mr. Hon Kin Wai as Chief Executive Officer, to oversee the Company's operations. Mr. Hon, whose professional career spans hotel management, merchandising and senior management positions across luxury and life style consumer goods industries, brings with him over 12 years' proven expertise and knowledge of developing various international luxury watch and jewelry brands in Greater China. He has been appointed as the executive director and the authorized representative of the company in July 2014.

In addition to Mr. Hon, the Group also strengthened its Board; Mr. Cheng Ping Yat was re-designated as an Executive Director, while Mr. Lau Pak Hong and Miss. Ngai Ki Yee May were appointed as Non-Executive Directors, and Mr. Yip Tai Him was appointed as an Independent Non-Executive director bringing a broad range of expertise and enhanced financial professionalism to the Group. During the period under review, Mr. Chan Tze Ching Ignatius and Mr. Wong Tat Tung also retired from their positions as Directors, and we would express our sincere appreciation to them for their valuable contribution to the Group during their tenure.

Looking to Singapore, the Group continued to progress its rebranding initiative with the newly refurbished Paragon Store, which reopened in June 2014. The new design and concept of the Paragon Store has further strengthened Larry Jewelry's position as a luxury jewelry brand in the South East Asian region.

During the period under review, the Group raised a total HK\$154 million as a result of an open offer and a placement, we have been able to repay the Company's debts, which brings positions the Group in a much healthier financial state that will inspire increasing confidence in more trade partners and enable much more favourable financing terms in regards to consignments and the purchase of raw materials.

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2014 was approximately HK\$112,349,000 compared to approximately HK\$131,580,000 recorded in the corresponding period last year. This represents an approximately 14.6% decrease, which was mainly attributed to the downturn of the luxury retail market in Southeast Asia and Great China, and the renovation of Paragon Shop in Singapore in the second quarter of 2014.

Gross Profit

Gross profit for the period was approximately HK\$30,921,000, down 20.73% from approximately HK\$39,007,000 in the corresponding period last year. The Group's gross profit margin as reported in the consolidated income statement was 27.5% compared to 29.6% in the first half of last year. In preparing the consolidated income statement, the cost of the Sharp Wonder's inventories as at 19 July 2011 (the "Acquired Inventories") was recorded at fair market value, which was 17.9% higher than the historical cost.

If inventory was recorded based on historical cost levels, the Group's gross profit was approximately HK\$32,737,000 for the six months ended 30 June 2014 compared to approximately HK\$40,853,000 for the corresponding period in the previous year.

Other income

The Group's other income for the six months ended 30 June 2014 was approximately HK\$963,000 compared to HK\$998,000 for the corresponding period last year. Other income in 2014 was attributed to exchange gains due to the favourable movement of the Singapore Dollar to Hong Kong Dollar exchange rate, interest income, and the reversal of impairment provision on trade receivables.

Selling and Distribution Costs

The Group's selling and distribution expenses for the six months ended 30 June 2014 increased by 10.7% to approximately HK\$36,583,000 compared to approximately HK\$33,033,000 for the corresponding period in 2013. The increase was attributable to the higher rental expenses for the replacement of the old Causeway Bay store at the junction of Hennessy Road and Percival Street by the newly located store at 52 Yun Ping Road. However, our decision to close the Tsim Sha Tsui store should result in lower rental expenses for the full year 2014 and beyond.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2014 decreased by 22.1% to approximately HK\$17,615,000 compared to approximately HK\$22,622,000 for the corresponding period in 2013, due to the management's effort to adopt the effective cost control measures.

Finance Costs

The Group reduced its finance costs for the six months ended 30 June 2014 to approximately HK\$8,055,000 compared to approximately HK\$11,696,000 for the corresponding period in 2013.

Loss Attributable to the Owners of the Company

Loss attributable to owners of the Company was HK\$30,171,000 for the six months ended 31 March 2014 compared to loss of HK\$27,220,000 for the corresponding period in 2013. The deterioration was mainly attributable to the reduction in the sales revenue of the Group.

Liquidity and Financial Resources

The Group's current ratio as at 30 June 2014 was 3.6 times compared with 1.7 times as at 31 December 2013. This is mainly as a result of the redemption of convertible notes of the principal amount of HK\$56,000,000 and the decrease of borrowings.

As at 30 June 2014, the Group had aggregate cash and bank balances, and pledged bank deposits of approximately HK\$92.1 million (31 December 2013: HK\$41.2 million). Total borrowings amounted to approximately HK\$81.29 million (31 December 2013: HK\$157.8 million).

Cash Balance *HK\$'000*

Pledged bank deposits	27,800
Bank and cash balances	64,306

Principal Amount of the Borrowings *HK\$'000*

Borrowings

Within 1 year	37,833
Between 1 and 2 years	31,529
Between 2 and 5 years	–

Convertible notes

Within 1 year	14,000
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The Group completed two capital raising exercises during the reporting period to strengthen its financial position. For details, please refer to the “Capital Raising” section below. Management is involved in ongoing discussions with investors and financial institutions to further enhance its financial resources.

Capital Raising

On 13 March 2014, a total of 1,047,518,325 new ordinary shares of the Company were issued at HK\$0.12 each as a result of the Open Offer to the shareholders of the Company, on the basis of seven offer shares for every ten shares held by the shareholders.

On 10 June 2014, a total of 264,690,000 placing shares were placed by the placing agent to not less than six placees at the placing price of HK\$0.11 per placing share.

FACILITY AGREEMENT WITH GE CAPITAL

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

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

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

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

OUTLOOK

Looking ahead, we expect the business environment will remain challenging as we move into the third and final quarters of the year respectively. We will continue to implement our brand revitalization strategy, with a larger focus on Singapore, which we aim to use as a hub to develop our business and increase our visibility across South East Asian countries, such as Malaysia, Indonesia, Thailand and Vietnam.

Larry Splendour, the Group's major annual event in Singapore has been held in July. This year is the first time that we hold the event in an open area on Orchard Road, and we expect this will renew excitement among our loyal customers as well as attracting the attention of potential new customers in the city. This new approach to the event has marked the turning a new page for Larry Jewelry in Singapore, as we increase the visibility of the brand to a broader base of consumers.

With the closing of our store in Tsim Sha Tsui, we are looking for an ideal location to open another store. Based on our strategy, we are not rushing to open a new store, but are looking for a location that has a more favorable sales potential to rental ratio.

Following the two aforementioned equity raising activities undertaken during the first half, we have just completed raising a further HK\$56 million on 30 July 2014, which we will use to further repay the Company's debts and this move will greatly reduce our interest expenses, which stood at HK\$23 million as at the 31 December, 2013. This will restore a healthy financial position for the Company.

We have, in the past and will continue to establish Larry Jewelry as a brand that will not compromise on the quality of our products. This is something that we view as the core DNA of Larry Jewelry. As we look to develop our customer mix, we continue to stand by our business motto of quality over quantity. We are looking to attract customers who appreciate our bespoke craftsmanship and unique high quality products over mass produced items.

We will strive to expand our Board to achieve a well-balanced mix of executives and non-executives who bring further skills, insights and value to our Company. With the new management on board and with financial resources on hand, we are confident that the Group is well positioned to grow and move forward.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2014 and there is no plan for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014.

EVENTS AFTER THE REPORTING DATE

On 11 July 2014, an aggregate principal amount of HK\$54,000,000 of the convertible notes ("CN 1") was redeemed by the Company at 120% of its principal amount.

On 30 July 2014, a total of 561,730,000 places shares were placed by the placing agent to not less than six placees at the placing price of HK\$0.10 per placing share.

CHARGES ON GROUP ASSETS

- (a) At 30 June 2014, debentures were executed by the Group in favour of GE Capital charging, by way of fixed and floating charges, all of the undertakings, properties, assets and revenues of the Company and of its 10 subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.

- (b) At 30 June 2014, the Group pledged all rights, titles and interests in 100% of the entire share capital of its 10 subsidiaries and all benefits accruing to the pledged equity interest to GE Capital as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.
- (c) As at 30 June 2014, the banking facilities provided by the Group's banks were secured by the pledged bank deposits of the Group.

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had 86 (31 December 2013: 92) employees, including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2014 were approximately HK\$15,659,000 (six months ended 30 June 2013: HK\$19,898,000) including share-based payments of HK\$Nil (six months ended 30 June 2013: HK\$Nil). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees as well as share option scheme.

SHARE OPTIONS

The Company has conditionally adopted the Share Option Scheme on 21 September 2009 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus, dated 29 September 2009.

As at 30 June 2014, details of the options granted under the Share Option Scheme were as follows:

Grantee	Number of share options						Outstanding as at 30 June 2014	Date of grant	Exercise period	Exercise price (Note)
	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2014				
	Adjustments (Note)									
Under Share Option Scheme										
Directors										
Ms. Tsang Po Yee Pauline	6,733,790	356,891	-	-	-	-	7,090,681	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.614
Mr. Tam B Ray Billy	6,733,790	356,891	-	-	-	-	7,090,681	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.614
Employees	2,318,000	122,854	-	-	-	-	2,440,854	28 March 2012	28 March 2012 to 28 March 2015	HK\$0.631
Total	15,785,580	836,636	-	-	-	-	16,622,216			

Note: As announced on 13 March 2014, the exercise prices and the number of shares of the share options have been adjusted as a result of the open offer.

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

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

LONG POSITIONS IN SHARE OPTIONS OF THE COMPANY

Name of Director	Date of grant of share options	Exercise period	Exercise price	Number of options directly beneficially owned	Approximate percentage of total issued shares
Ms. Tsang Po Yee Pauline	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.614	7,090,681	0.25%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK\$0.614	7,090,681	0.25%
Total				14,181,362	0.50%

Save as disclosed above, as at 30 June 2014, 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 corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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	265,300,000	9.45%
Mr. Tsang, Michael Man-heem (Note 1)	Interest of controlled corporation	265,300,000	9.45%
UNIR (HK) Management Limited (Note 2)	Beneficial owner	195,845,000	6.97%
Dr. Ina Chan Un Chan (Note 2)	Interest of controlled corporation	195,845,000	6.97%
Asia Private Credit Fund Limited	Beneficial owner	188,285,361	6.70%
Diamond Well International Limited (Note 3)	Beneficial owner	172,970,900	6.16%
Ms. Zhang Ya Juan (Note 3)	Interest of controlled corporation	172,970,900	6.16%

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 (who was re-designated from an executive Director to a non-executive Director on 29 April 2014), 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 (who was re-designated from an executive Director to a non-executive Director on 29 April 2014) 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.

Save as disclosed above, as at 30 June 2014, the Directors of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2014.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards 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 standards of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The audit committee for the Company (the "Audit Committee") comprises three independent non-executive directors of the Company, namely Mr. Yip Tai Him (chairman of the Audit Committee), Mr. Lau Pak Hong and Mr. Fung Shing Kwong. The unaudited consolidated results of the Group for the six months ended 30 June 2014 have not been audited by the Company's auditors, but have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board

Larry Jewelry International Company Limited

Chow Liang Shuk Yee Selina

Chairman and Independent Non-Executive Director

Hong Kong, 7 August 2014

As at the date of this report, the Board comprises Mr. Cheng Ping Yat and Mr. Hon Kin Wai Caric as executive directors, Mr. Lau Pak Hong, Ms. Ngai Ki Yee May, Mr. Tam B Ray Billy and Ms. Tsang Po Yee Pauline as non-executive directors, Mrs. Chow Liang Shuk Yee Selina as Chairman and Independent non-executive director and Mr. Fung Shing Kwong and Mr. Yip Tai Him as independent non-executive directors.