

# LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

## FIRST QUARTERLY REPORT 2015



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2015 together with the unaudited comparative figures for the corresponding period in 2014 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	<b>47,388</b>	56,166
Cost of sales		<b>(37,276)</b>	(39,200)
Gross profit		<b>10,112</b>	16,966
Other income	3	<b>202</b>	438
Selling and distribution expenses		<b>(11,527)</b>	(18,117)
Administrative and other operating expenses		<b>(8,759)</b>	(8,886)
Finance costs	4	<b>—</b>	(5,283)
Loss before income tax	5	<b>(9,972)</b>	(14,882)
Income tax credit/(expense)	6	<b>159</b>	(25)
Loss for the period attributable to owners of the Company		<b>(9,813)</b>	(14,907)
		<b>HK cents</b>	HK cents
Loss per share for loss attributable to owners of the Company during the period			
— Basic and diluted	8	<b>(0.29)</b>	(0.87)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME***For the three months ended 31 March 2015*

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss for the period attributable to owners of the Company	<b>(9,813)</b>	(14,907)
Other comprehensive (expense)/income <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<b>(3,523)</b>	785
Total comprehensive expense for the period attributable to owners of the Company	<b><u>(13,336)</u></b>	<b><u>(14,122)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	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 1 January 2015 (audited)	33,704	599,171	3,988	-	-	(830)	(8,197)	(273,723)	354,113
Loss for the period	-	-	-	-	-	-	-	(9,813)	(9,813)
Other comprehensive expense — Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,523)	-	(3,523)
Total comprehensive expense for the period	-	-	-	-	-	-	(3,523)	(9,813)	(13,336)
At 31 March 2015 (unaudited)	<u>33,704</u>	<u>599,171</u>	<u>3,988</u>	<u>-</u>	<u>-</u>	<u>(830)</u>	<u>(11,720)</u>	<u>(283,536)</u>	<u>340,777</u>
Balance as at 1 January 2014 (audited)	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	10,475	115,227	-	-	-	-	-	-	125,702
Share issue expenses	-	(4,419)	-	-	-	-	-	-	(4,419)
Transactions with owners	10,475	110,808	-	(19,611)	-	-	-	19,611	121,283
Loss for the period	-	-	-	-	-	-	-	(14,907)	(14,907)
Other comprehensive income — Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	785	-	785
Total comprehensive expense for the period	-	-	-	-	-	-	785	(14,907)	(14,122)
At 31 March 2014 (unaudited)	<u>25,440</u>	<u>524,379</u>	<u>3,988</u>	<u>4,475</u>	<u>5,903</u>	<u>(830)</u>	<u>(3,619)</u>	<u>(224,917)</u>	<u>334,819</u>

## NOTES TO THE FINANCIAL RESULTS

### 1. GENERAL INFORMATION

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 is located at 13/F., Pacific House, 20 Queen's Road Central, Hong Kong. The Company's shares have been listed on GEM since 7 October 2009.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in design and sale of a broad range of fine jewelry products. There were no significant changes in nature of the Group's principal activities during the period.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, which are measured at fair values.

The principal accounting policies used in the unaudited condensed consolidated financial statements for the three months ended 31 March 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the new and revised HKFRSs issued by HKICPA that are adopted for the first time for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

### 3. REVENUE AND OTHER INCOME

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

	Three months ended 31 March	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Revenue</b>		
Sales	<b>47,388</b>	56,166
<b>Other income</b>		
Exchange gain, net	–	178
Interest income	–	128
Reversal of impairment provision on trade receivables	–	108
Sundry income	<b>202</b>	24
	<b>202</b>	438

### 4. FINANCE COSTS

	Three months ended 31 March	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest charges on bank and other borrowings wholly repayable within five years	–	1,911
Imputed interest expenses wholly repayable within five years		
— convertible notes	–	3,372
	–	5,283



**5. LOSS BEFORE INCOME TAX**

	<b>Three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	<b>165</b>	168
Cost of inventories recognised as expense	<b>37,276</b>	39,200
Depreciation	<b>636</b>	1,170
Written off/loss on disposals of property, plant and equipment	–	90
Change in fair value of financial assets at fair value through profit or loss	<b>112</b>	–
Employee benefit expense	<b>6,171</b>	7,799
Exchange loss/(gain), net	<b>958</b>	(178)
Operating lease rentals in respect of rented premises	<b>8,972</b>	13,603
	<b><u>          </u></b>	<b><u>          </u></b>

**6. INCOME TAX (CREDIT)/EXPENSE**

	<b>Three months ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current income tax		
— Singapore	–	143
Deferred tax	<b>(159)</b>	(118)
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>(159)</b>	25

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 three months ended 31 March 2015 and 2014.

No income tax has been provided for Hong Kong, the People's Republic of China ("PRC") and Macau as there is no estimated assessable profit derived from these tax jurisdictions for the three months ended 31 March 2015 and 2014.

No income tax has been provided for business conducted in Singapore as there is no estimated assessable profit derived from Singapore for the three months ended 31 March 2015. Singapore income tax was calculated at the rate of 17% on the estimated assessable profit for the three months ended 31 March 2014.



**7. DIVIDENDS**

The Board do not recommend the payment of dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

**8. LOSS PER SHARE**

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of HK\$9,813,000 (2014: HK\$14,907,000) and the weighted average number of 3,370,393,075 ordinary shares (2014: 1,717,598,000 ordinary shares) in issue during the period.

For the three months ended 31 March 2015 and 2014, basic loss per share is the same as diluted loss per share as there was no dilutive ordinary share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

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

The luxury goods market in Southeast Asia and Greater China remained weak in the first quarter of 2015, and the Group recorded a drop in revenue of about 15.6%. The anti-parallel demonstrations and political reforms in Hong Kong also caused unstable political environment, and further diminished the consumer spending momentum in Hong Kong. According to the statistics released by the Census and Statistics Department of Hong Kong, a persistent decline in the value and volume of retail sales of jewelry, watches, clocks and valuable gifts in Hong Kong was noted during the first three months of 2015, which represented a decrease of about 16.6% as compared with the corresponding period in 2014. In order to tackle the tough operating environment, the Group launched different promotional campaigns, offering attractive prices on wide range of jewelry products, with the aim to drive its sales and accelerate its inventory turnover.

Looking ahead, the Group remains cautiously optimistic in the luxury jewelry market in long run. The Group will explore opportunities to broaden the geographic base of customers to markets outside Hong Kong and Singapore and increase its visibility across South East Asian countries. The Group also seeks to achieve a diversified customer base through the introduction of new distinctive and unique product designs to more youthful, cosmopolitan audience.

The Group reviewed the current store network in Hong Kong and decided to relocate the store in Central from G/F, Parker House, 72 Queen’s Road Central to G6–8, China Building, 29 Queen’s Road Central. The new location will be a flagship store in Central, continuing to maintain a loyal clientele, at the same time developing new customer groups on young professionals and executives. In this regards, the relocation will benefit the Group from a more diversified customer base, stable lease term and lower rental cost. The old Central store was closed in early May 2015 and the new Central store is expected to be open in June 2015.

In light of the recent business environment and financial condition of the Group, the Board endeavors to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders of the Company as a whole. As disclosed in the announcement of the Company dated 11 March 2015, Fame Treasure Global Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement on 11 March 2015 in relation to, among others, an acquisition of 100% of the issued share capital (the "Acquisition") of Tung Fong Hung Investment Limited (together with its subsidiaries, the "Target Group"), at a consideration of HK\$600,000,000. The Target Group is principally engaged in the business of sourcing, manufacturing, packaging, wholesales and retailing of Chinese pharmaceutical products, dry seafood, health products and foodstuff in Hong Kong, the PRC and Macau. As at 31 March 2015, HK\$60,000,000 refundable deposit was paid and the remaining consideration shall be satisfied by proposed issue of convertible bonds, net proceeds from proposed rights issue of the Company's shares and the internal resources of the Company. As at the date of this report, the Acquisition has not yet been completed. For further details, please refer to the Company's announcement dated 11 March 2015.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the three months ended 31 March 2015 was approximately HK\$47,388,000 as compared to approximately HK\$56,166,000 for the corresponding period in 2014. This represents a decrease of about 15.6% which was mainly attributed to the downturn of the luxury retail market in the Southeast Asia and Greater China, and the closure of Tsim Sha Tsui store in mid 2014.

### Gross Profit

The gross profit for the three months ended 31 March 2015 was approximately HK\$10,112,000 as compared to approximately HK\$16,966,000 for the three months ended 31 March 2014, represents a decrease of about 40.4%. The gross profit margin of the Group as reported in the condensed consolidated statement of profit or loss was approximately 21.3% compared to approximately 30.2% for the corresponding period last year.

The deterioration in the Group's gross profit margin was primarily attributable to the lower average selling price on jewelry products sold during the three months ended 31 March 2015 in comparison to corresponding period last year.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the three months ended 31 March 2015 decreased by about 36.4% to approximately HK\$11,527,000 compared to approximately HK\$18,117,000 for the corresponding period last year. The decrease was mainly attributable to the decrease in overall rental costs upon the closing of Tsim Sha Tsui store and the management's effort to adopt a series of effective cost control measures.

### **Administrative and Other Operating Expenses**

The Group's administrative expenses for the three months ended 31 March 2015 decreased by about 1.4% to approximately HK\$8,759,000 compared to approximately HK\$8,886,000 for the corresponding period last year.

### **Finance Costs**

The Group reduced its finance costs for the three months ended 31 March 2015 to zero compared to approximately HK\$5,283,000 for the corresponding period last year, which was due to the repayment of all the Group's borrowings in 2014.

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

Loss attributable to owners of the Company was approximately HK\$9,813,000 for the three months ended 31 March 2015 compared to loss of HK\$14,907,000 for the corresponding period last year. The decrease in loss of approximately HK\$5,094,000 was mainly attributable to the management's effort to adopt the effective cost control measures.

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

As at 31 March 2015, the interests and short positions of the Directors and chief executive 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 would have: (a) 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 are taken or deemed to have under such provisions of the SFO) or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Positions in Share of the Company

Name of Director	Capacity of interests	Number of issued ordinary shares held	Approximate percentage to the issued share capital
Mr. Luk Kee Yan Kelvin	Beneficial owner	528,902,842	15.69%

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executive 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 would have to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules or to be entered in the register referred to in the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2015, the following persons/corporations (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity of interests	Number of issued ordinary shares held	Approximate percentage to the issued share capital
Fullink Management Limited (Note 1)	Beneficial owner	265,300,000	7.87%
Mr. Tsang Michael Man-heem (Note 1)	Interest of controlled corporation	265,300,000	7.87%
Diamond Well International Limited (Note 2)	Beneficial owner	172,970,900	5.13%
Ms. Zhang Ya Juan (Note 2)	Interest of controlled corporation	172,970,900	5.13%

Notes:

- These Shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem, 15% by Ms. Tsang Po Yee Pauline, 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 is a director of Fullink Management Limited.
- Diamond Well International Limited is wholly and beneficially owned by Ms. Zhang Ya Juan.

Save as disclosed above, as at 31 March 2015, the Company had not been notified by any parties (other than the Directors or chief executive of the Company) who had interests or short positions 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 which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## **ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the three months ended 31 March 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **CHANGE IN DIRECTORSHIPS HELD BY DIRECTORS**

Mr. Ong Chi King was appointed as an independent non-executive director of WLS Holdings Limited, whose shares are listed on GEM (Stock Code: 8021), on 1 April 2015.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company did not redeem any of its shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities during the three months ended 31 March 2015.

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

None of the Directors or their respective close associates 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 during the three months ended 31 March 2015.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a 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 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard of dealings and its code of conduct regarding securities transactions by directors during the three months ended 31 March 2015.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2015.



## DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest 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 three months ended 31 March 2015.

## INTEREST OF THE COMPLIANCE ADVISER

As at 31 March 2015, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 October 2014, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors and one non-executive Director, namely Mr. Shum Lok To (chairman of the Audit Committee), Mr. Ong Chi King, Mr. Tso Ping Cheong Brian, and Mr. Lau Pak Hong. The first quarterly report, including the unaudited condensed consolidated results of the Group for the three months ended 31 March 2015 has been reviewed by the Audit Committee.

By order of the Board  
**Larry Jewelry International Company Limited**  
**Luk Kee Yan Kelvin**  
*Executive Director and Chairman*

Hong Kong, 12 May 2015

*As at the date of this report, the Board comprises Mr. Hon Kin Wai and Mr. Luk Kee Yan Kelvin as executive Directors, Mr. Lau Pak Hong and Ms. Ngai Ki Yee May as non-executive Directors, and Mr. Ong Chi King, Mr. Shum Lok To and Mr. Tso Ping Cheong Brian as independent non-executive Directors.*