



# LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

INTERIM 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 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 of the Company (the “Board”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 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 and six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	<b>51,610</b>	56,183	<b>98,998</b>	112,349
Cost of sales		<b>(39,731)</b>	(42,228)	<b>(77,007)</b>	(81,428)
Gross profit		<b>11,879</b>	13,955	<b>21,991</b>	30,921
Other income	4	<b>25</b>	525	<b>227</b>	963
Selling and distribution expenses		<b>(13,771)</b>	(18,466)	<b>(25,298)</b>	(36,583)
Administrative and other operating expenses		<b>(6,825)</b>	(8,729)	<b>(15,584)</b>	(17,615)
Finance costs	6	<b>–</b>	(2,772)	<b>–</b>	(8,055)
Loss before income tax	7	<b>(8,692)</b>	(15,487)	<b>(18,664)</b>	(30,369)
Income tax credit	8	<b>159</b>	223	<b>318</b>	198
Loss for the period attributable to owners of the Company		<b>(8,533)</b>	(15,264)	<b>(18,346)</b>	(30,171)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Loss per share for loss attributable to owners of the Company during the period – Basic and diluted	10	<b>(0.25)</b>	(0.58)	<b>(0.54)</b>	(1.39)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	<b>(8,533)</b>	(15,264)	<b>(18,346)</b>	(30,171)
Other comprehensive income/(expense) <i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of foreign operations	<b>1,519</b>	531	<b>(2,004)</b>	1,316
Total comprehensive expense for the period attributable to owners of the Company	<b>(7,014)</b>	(14,733)	<b>(20,350)</b>	(28,855)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,873	5,340
Intangible assets		63,000	63,000
Refundable deposit for acquisition of a subsidiary		60,000	–
Deposits		5,900	5,718
		<b>132,773</b>	74,058
<b>Current assets</b>			
Inventories	12	144,954	189,242
Trade receivables	13	440	5,907
Prepayments, deposits and other receivables		14,927	6,113
Financial asset at fair value through profit or loss		3,700	–
Pledged bank deposits		7,584	11,745
Bank and cash balances		60,030	97,938
		<b>231,635</b>	310,945

	Notes	<b>As at 30 June 2015 HK\$'000 (unaudited)</b>	As at 31 December 2014 HK\$'000 (audited)
<b>Current Liabilities</b>			
Trade payables	14	<b>9,128</b>	8,898
Other payables and accruals		<b>10,654</b>	10,797
Provision for tax		<b>224</b>	239
		<b>20,006</b>	19,934
<b>Net current assets</b>		<b>211,629</b>	291,011
<b>Total assets less current liabilities</b>		<b>344,402</b>	365,069
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>10,639</b>	10,956
<b>Net assets</b>		<b>333,763</b>	354,113
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share Capital	15	<b>33,704</b>	33,704
Reserves		<b>300,059</b>	320,409
<b>Total equity</b>		<b>333,763</b>	354,113

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital	Share premium	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 1 January 2015 (audited)	33,704	599,171	3,988	-	-	(830)	(8,197)	(273,723)	354,113
Loss for the period	-	-	-	-	-	-	-	(18,346)	(18,346)
Other comprehensive expense									
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(2,004)	-	(2,004)
Total comprehensive expense for the period	-	-	-	-	-	-	(2,004)	(18,346)	(20,350)
At 30 June 2015 (unaudited)	33,704	599,171	3,988	-	-	(830)	(10,201)	(292,069)	(333,763)
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	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 differences on translation of financial statements of foreign operations	-	-	-	-	-	-	1,316	-	1,316
Total comprehensive expense for the period	-	-	-	-	-	-	1,316	(30,171)	(28,855)
At 30 June 2014 (unaudited)	28,087	549,936	3,988	4,475	5,903	(830)	(3,088)	(240,181)	348,290

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	19,912	(16,815)
Net cash used in investing activities	(55,737)	(921)
Net cash generated from financing activities	–	67,166
Net (decrease)/increase in cash and cash equivalents	(35,825)	49,430
Cash and cash equivalents as at the beginning of the period	97,938	13,560
Effect of foreign exchange rate changes	(2,083)	1,316
Cash and cash equivalents as at the end of the period	60,030	64,306
Analysis of balances of cash and cash equivalents		
Bank and cash balances	60,030	64,306



# 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 six months ended 30 June 2015.

## 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 asset 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 six months ended 30 June 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 unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

### 3. FAIR VALUE MEASUREMENTS

The following disclosures of fair value measurements gives information about how the fair values of the financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial asset at fair value through profit or loss of approximately HK\$3,700,000 (31 December 2014: Nil) are measured at fair values at the end of the reporting period, which are grouped into Level 1 fair value measurements. The financial asset at fair value through profit or loss represents listed security in Hong Kong. Its fair values were determined by reference to the quoted market prices in an active market.

During the six months ended 30 June 2015 and 2014, no financial assets or financial liabilities were classified under level 2 and 3.

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at cost or amortised cost in the condensed consolidated statement of financial position approximate their respective fair values.

#### 4. 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 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Revenue</b>				
Sales	51,610	56,183	98,998	112,349
<b>Other income</b>				
Exchange (loss)/gain, net	–	(93)	–	85
Interest income	1	4	1	132
Reversal of impairment provision on trade receivables	–	–	–	108
Sundry income	24	614	226	638
	25	525	227	963

#### 5. SEGMENT INFORMATION

The executive Directors have identified the Group's two product lines as operating segments:

- (a) Design and Trading of Jewelry Products segment
- (b) Retailing of Jewelry Products segment

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

	Six months ended 30 June 2015		
	Design and Trading of Jewelry Products segment HK\$'000 (unaudited)	Retailing of Jewelry Products segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue:			
From external customers	–	98,998	98,998
Inter-segment revenue	–	2,308	2,308
<b>Reportable segment revenue</b>	–	101,306	101,306
<b>Reportable segment loss</b>	(8)	(12,924)	(12,932)
<b>Reportable segment assets</b>	88	326,851	326,939
<b>Reportable segment liabilities</b>	4	29,911	29,915

	Six months ended 30 June 2014		
	Design and Trading of Jewelry Products segment HK\$'000 (unaudited)	Retailing of Jewelry Products segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue:			
From external customers	1,612	110,737	112,349
Inter-segment revenue	–	5,055	5,055
<b>Reportable segment revenue</b>	<b>1,612</b>	<b>115,792</b>	<b>117,404</b>
<b>Reportable segment loss</b>	<b>(473)</b>	<b>(18,627)</b>	<b>(19,100)</b>
<b>Reportable segment assets</b>	<b>3,878</b>	<b>443,129</b>	<b>447,007</b>
<b>Reportable segment liabilities</b>	<b>720</b>	<b>82,742</b>	<b>83,462</b>

The Group's revenue from external customers is divided into the following geographical areas:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Hong Kong, Macau and Taiwan	<b>46,167</b>	47,351
Singapore	<b>52,831</b>	64,998
	<b>98,998</b>	112,349

The geographical location of customers is based on the location at which the goods were delivered.

During the six months ended 30 June 2015, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) (2014: Nil). The country of domicile is the country where the Company was incorporated.

## 6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest charges on bank and other borrowings wholly repayable within five years	–	2,131	–	4,042
Imputed interest expenses wholly repayable within five years – convertible notes	–	641	–	4,013
	–	2,772	–	8,055

## 7. LOSS BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Auditors' remuneration	165	176	330	344
Cost of inventories recognised as expense	39,731	42,228	77,007	81,428
Depreciation	830	1,138	1,466	2,308
Written off/loss on disposals of property, plant and equipment	36	12	36	102
Change in fair value of financial asset at fair value through profit or loss	(62)	–	50	–
Employee benefit expense	6,188	7,860	12,359	15,659
Exchange (gain)/loss, net	(434)	93	524	(85)
Operating lease rentals in respect of rented premises	9,156	13,364	18,128	26,967

## 8. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current income tax				
– Singapore	–	(38)	–	105
Deferred tax	<b>(159)</b>	(185)	<b>(318)</b>	(303)
	<b>(159)</b>	(223)	<b>(318)</b>	(198)

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 and six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 2015 and three months ended 30 June 2014. Singapore income tax was calculated at the rate of 17% on the estimated assessable profit for the six months ended 30 June 2014.

## 9. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 June 2015 of approximately HK\$8,533,000 (2014: HK\$15,264,000) and HK\$18,346,000 (2014: HK\$30,171,000) and the weighted average number of ordinary shares for the three months and six months ended 30 June 2015 of 3,370,393,075 (three months and six months ended 30 June 2014: 2,605,055,383 and 2,163,777,986 respectively) in issue.

For the three months and six months ended 30 June 2015 and 2014, basic loss per share is the same as diluted loss per share as there was no dilutive ordinary share.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group spent approximately HK\$61,000 (six months ended 30 June 2014: HK\$1,030,000) on acquisition of property, plant and equipment.

## 12. INVENTORIES

	<b>As at 30 June 2015 HK\$'000 (unaudited)</b>	As at 31 December 2014 HK\$'000 (audited)
Raw materials	<b>13,286</b>	24,675
Work in progress	<b>5,893</b>	942
Finished goods	<b>125,775</b>	163,625
	<b>144,954</b>	189,242

## 13. TRADE RECEIVABLES

The Group allows a credit period from 0–90 days to its non-retail customers for the six months ended 30 June 2015. Ageing analysis of the Group's trade receivables as at the reporting dates based on the invoice dates is as follows:

	<b>As at 30 June 2015 HK\$'000 (unaudited)</b>	As at 31 December 2014 HK\$'000 (audited)
Within 30 days	<b>440</b>	5,560
31 – 60 days	–	336
61 – 90 days	–	11
	<b>440</b>	5,907

#### 14. TRADE PAYABLES

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

	<b>As at 30 June 2015 HK\$'000 (unaudited)</b>	As at 31 December 2014 HK\$'000 (audited)
Within 30 days	<b>8,097</b>	6,730
31 – 60 days	<b>1,031</b>	2,168
	<b>9,128</b>	8,898

#### 15. SHARE CAPITAL

	<b>Number of shares</b>	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014 and 30 June 2014, 1 January 2015 and 30 June 2015	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014	1,496,454,750	14,965
Issue of shares upon open offer in March 2014 (note i)	1,047,518,325	10,475
Issue of shares upon placing in June 2014 (note ii)	264,690,000	2,647
Issue of shares upon placing in July 2014 (note iii)	561,730,000	5,617
At 31 December 2014 (audited) and 30 June 2015 (unaudited)	3,370,393,075	33,704



Notes:

- (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 16 May 2014, the Company entered into a placing agreement with a placing agent for the placing of an aggregate 264,690,000 new ordinary shares of the Company at a placing price of HK\$0.11 per placing share. As a result, the Company issued 264,690,000 new ordinary shares at HK\$0.11 per share on 10 June 2014.
- (iii) On 9 July 2014, the Company entered into a placing agreement with a placing agent for the placing of an aggregate 561,730,000 new ordinary shares of the Company at a placing price of HK\$0.10 per placing share. As a result, the Company issued 561,730,000 new ordinary shares at HK\$0.10 per share on 30 July 2014.

## 16. COMMITMENTS

### Operating Lease Commitments

As at 30 June 2015, the total future minimum lease payments payable under noncancellable operating leases are as follows:

	<b>As at 30 June 2015 HK\$'000 (unaudited)</b>	As at 31 December 2014 HK\$'000 (audited)
Within one year	<b>25,937</b>	22,526
In the second to fifth years inclusive	<b>44,700</b>	17,970
	<b>70,637</b>	40,496

Operating lease payments represent rentals payable by the Group for office premises and retail shops. The leases run for initial periods of 1 – 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.

## 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 soft in the first six months of 2015, and the Group recorded a drop in revenue of about 11.9%. 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 half year of 2015, which represented a decrease of about 15.9% and 14.5% respectively 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.

The Group has relocated 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 old Central store was closed in early May 2015 while the new Central store has been opened on 1 August 2015. The new boutique is a flagship store which separate into three display zones, composed of the classic collections, bridal & gifts series and jewelry pieces for young executives, which enable the Group to distinguish customers with different needs and provide them with tailor made services. The Group believes the new flagship store can diversify its appeal to different target customers to enhance the business and establish a strong brand identity in the market.

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.

In light of the recent business environment and financial resources on hand, the Group will continue to seek for 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.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for the six months ended 30 June 2015 was approximately HK\$98,998,000 compared to approximately HK\$112,349,000 recorded in the corresponding period in 2014. This represents a decrease of about 11.9%, which was mainly attributed to the downturn of the luxury retail market in Southeast Asia and Greater China and the closure of Tsim Sha Tsui store in mid 2014.

### **Gross Profit**

Gross profit for the six months ended 30 June 2015 was approximately HK\$21,991,000, down 28.9% from approximately HK\$30,921,000 in the corresponding period in 2014. The Group's gross profit margin as reported in the condensed consolidated statement of profit or loss was approximately 22.2% compared to approximately 27.5% 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 six months ended 30 June 2015 in comparison to corresponding period last year.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the six months ended 30 June 2015 decreased by about 30.8% to approximately HK\$25,298,000 compared to approximately HK\$36,583,000 for the corresponding period in 2014. The decrease was mainly attributable to the decrease in overall rental and staff costs upon the closure of Tsim Sha Tsui store.

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

The Group's administrative expenses and other operating expenses for the six months ended 30 June 2015 decreased by 11.5% to approximately HK\$15,584,000 compared to approximately HK\$17,615,000 for the corresponding period last year, due to the management's effort to adopt a series of effective cost control measures.

## **Finance Costs**

The Group reduced its finance costs for the six months ended 30 June 2015 to zero compared to approximately HK\$8,055,000 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\$18,346,000 for the six months ended 30 June 2015 compared to loss of approximately HK\$30,171,000 for the corresponding period in 2014. The decrease in loss of approximately HK\$11,825,000 was mainly attributable to the reduction in the operating costs of the Group.

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

As disclosed in the announcement of the Company dated 11 March 2015 and mentioned in the first quarterly report of the Company for the three months 31 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, at a consideration of HK\$600,000,000 (the "Consideration"). As at 30 June 2015, HK\$60,000,000 refundable deposit (the "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 (the "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 announcements dated 11 March 2015, 27 May 2015 and 20 July 2015.

Save as disclosed above, there were no other significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2015 and there is no plan for material investments or capital assets as at the date of this report.

## CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at 30 June 2015 as compared with that as at 31 December 2014.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had cash and cash equivalents of approximately HK\$60,030,000 (31 December 2014: HK\$97,938,000) and pledged bank deposits of approximately HK\$7,584,000 (31 December 2014: HK\$11,745,000). As at 30 June 2015, the Group had no borrowings and a zero gearing ratio (31 December 2014: Nil).

As at 30 June 2015, the Group had net current assets of approximately HK\$211,629,000 (31 December 2014: HK\$291,011,000). The current ratio of the Group as at 30 June 2015 was approximately 11.6 (31 December 2014: 15.6).

## NET PROCEEDS FROM OPEN OFFER

References is made to the circular of the Company dated 21 January 2014 in relation to the open offer of seven offer shares for ten existing shares held on the record date (the "Open Offer Circular"). As stated in the Open Offer Circular, the net proceeds from the open offer of approximately HK\$121.3 million (the "Proceeds") have been utilised in the following manner: (i) HK\$25 million for the redemption of part of the convertible notes which matured in March 2014 has been utilised as intended; (ii) approximately HK\$18 million out of HK\$73 million has been utilised as intended on future business development of the Group (i.e. the balance of approximately HK\$55 million being unutilised); and (iii) the rest of the Proceeds of approximately HK\$23 million has been utilised as intended for Group's general working capital, principally for the existing ongoing daily operations.

Having considered (i) the then economic and retail market condition; (ii) the jewelry business development of the Group; (iii) the future business development of the Group; and (iv) the financial resources required by the Group to satisfy the Refundable Deposit as part of the Consideration and to better utilise the financial resources of the Group, the unutilised Proceeds of approximately HK\$55 million as abovementioned (the "Unutilised Proceeds") has been resolved and applied to settle substantial part of the Refundable Deposit, details of which were set out in the Company's announcement dated 20 July 2015. And the details of the Acquisition are set out under the section headed "Significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies, and future plans for material investments or capital assets" in this report.

The Board considers that such change of the use of the Unutilised Proceeds will not have any material adverse impact on the Group's current financial position. The Board also considers that such arrangement was in line with the business development of the Group in view of the then economic and retail market condition and is in the interests of the Company and the shareholders of the Company as a whole as the Group has utilised its available financial resources more effectively to facilitate the future business development of the Group.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2015, banking facilities granted to the Group were secured by the pledged bank deposits of the Group in respect of the bank guarantees provided by bank to a supplier.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 30 June 2015.

## **FOREIGN EXCHANGE EXPOSURE**

The Group carries out its business in Hong Kong and Singapore and most of the transactions are denominated in Hong Kong Dollars ("HK\$"), United States Dollars 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.

## **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 2015, the Group had 59 (31 December 2014: 72) employees, including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2015 were approximately HK\$12,359,000 (six months ended 30 June 2014: HK\$15,659,000). 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 share option scheme.

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

As at 30 June 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 the Shares

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

Save as disclosed above, as at 30 June 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 30 June 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, 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:

### Long Positions in the Shares

<b>Name of shareholders</b>	<b>Capacity of interests</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage to the issued share capital</b>
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:

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

Save as disclosed above, as at 30 June 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 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.

## SHARE OPTION SCHEME

The Company has adopted the share option scheme on 21 September 2009 (the "Scheme") 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 summarised in the paragraph headed "Share Option Scheme" in appendix V to the prospectus of the Company dated 29 September 2009.

During the six months ended 30 June 2015, there was no share option granted, exercised, cancelled or lapsed under the Scheme and no share option remained outstanding at the beginning and at the end of the reporting period under the Scheme.

## CHANGES IN INFORMATION OF DIRECTORS

Mr. Ong Chi King was appointed as an independent non-executive director of Wan Kei Group Holdings Limited with effect from 17 June 2015, the shares of which were listed on the main board of the Stock Exchange (Stock code: 1718) on 11 August 2015.

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

At no time during the six months ended 30 June 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.

## **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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2015.

## **MANAGEMENT CONTRACT**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2015.

## INTEREST OF THE COMPLIANCE ADVISER

As at 30 June 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 interim report, including the unaudited condensed consolidated results of the Group for the six months ended 30 June 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, 11 August 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.*