



LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

THIRD QUARTERLY REPORT
2015

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

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This report, for which the directors (the “Directors”) of Larry Jewelry International Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 in 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 and nine months ended 30 September 2015 together with the unaudited comparative figures for the corresponding periods in 2014, as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2015

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	37,161	64,166	136,159	176,515
Cost of sales		(27,911)	(49,234)	(104,918)	(130,662)
Gross profit		9,250	14,932	31,241	45,853
Other income	3	15	310	242	1,188
Selling and distribution expenses		(12,809)	(19,470)	(38,107)	(56,053)
Administrative and other operating expenses		(8,537)	(9,929)	(24,121)	(27,459)
Finance costs	4	-	(3,937)	-	(11,992)
Loss before income tax	5	(12,081)	(18,094)	(30,745)	(48,463)
Income tax credit	6	8	565	326	763
Loss for the period attributable to owners of the Company		(12,073)	(17,529)	(30,419)	(47,700)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to owners of the Company					
– Basic and diluted	8	(0.36)	(0.55)	(0.90)	(1.84)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

	Three months ended 30 September		Nine months ended 30 September	
	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	(12,073)	(17,529)	(30,419)	(47,700)
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	(5,100)	(1,171)	(7,104)	145
Total comprehensive expense for the period attributable to owners of the Company	(17,173)	(18,700)	(37,523)	(47,555)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	-	-	-	-	-	-	-	(30,419)	(30,419)
Other comprehensive expense									
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(7,104)	-	(7,104)
Total comprehensive expense for the period	-	-	-	-	-	-	(7,104)	(30,419)	(37,523)
At 30 September 2015 (unaudited)	33,704	599,171	3,988	-	-	(830)	(15,301)	(304,142)	316,590
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	-	-	-	(24,086)	-	-	-	24,086	-
Issue of shares	18,739	192,252	-	-	-	-	-	-	210,991
Share issue expenses	-	(6,572)	-	-	-	-	-	-	(6,572)
Share options forfeited	-	-	-	-	(643)	-	-	643	-
Transactions with owners	18,739	185,680	-	(24,086)	(643)	-	-	24,729	204,419
Loss for the period	-	-	-	-	-	-	-	(47,700)	(47,700)
Other comprehensive income									
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	145	-	145
Total comprehensive expense for the period	-	-	-	-	-	-	145	(47,700)	(47,555)
At 30 September 2014 (unaudited)	33,704	599,251	3,988	-	5,260	(830)	(4,259)	(252,592)	384,522

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 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 nine months ended 30 September 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 nine months ended 30 September 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. 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 September		Nine months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue				
Sales	37,161	64,166	136,159	176,515
Other income				
Interest income	12	13	13	145
Reversal of impairment provision on trade receivables	–	10	–	118
Sundry income	3	287	229	925
	15	310	242	1,188

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	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	–	3,847	–	7,889
Imputed interest expenses wholly repayable within five years – convertible notes	–	90	–	4,103
	–	3,937	–	11,992

5. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	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:				
Auditors' remuneration	251	248	581	592
Cost of inventories recognised as expense	27,911	49,234	104,918	130,662
Depreciation	1,140	1,026	2,606	3,334
Written off/loss on disposals of property, plant and equipment	301	15	337	117
Change in fair value of financial asset at fair value through profit or loss	75	–	125	–
Employee benefit expense	5,398	8,064	17,757	23,723
Exchange loss, net	910	517	1,434	432
Operating lease rentals in respect of rented premises	9,200	10,030	27,328	36,997

6. INCOME TAX CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current income tax				
– Singapore	–	(317)	–	(212)
Deferred tax	(8)	(248)	(326)	(551)
	(8)	(565)	(326)	(763)

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 nine months ended 30 September 2015 and 2014.

No income tax has been provided for Singapore, Hong Kong, the People's Republic of China and Macau as there is no estimated assessable profit derived from these tax jurisdictions for the three months and nine months ended 30 September 2015 and 2014.

7. DIVIDENDS

The Board does not recommend the payment of dividend for the nine months ended 30 September 2015 (nine months ended 30 September 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 for the three months and nine months ended 30 September 2015 of approximately HK\$12,073,000 (2014: HK\$17,529,000) and HK\$30,419,000 (2014: HK\$47,700,000) and the weighted average number of ordinary shares for the three months and nine months ended 30 September 2015 of 3,370,393,075 (three months and nine months ended 30 September 2014: 3,193,326,010 and 2,587,626,237 respectively) in issue.

For the three months and nine months ended 30 September 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 continued to deteriorate in the third quarter of 2015, and the Group recorded a drop in revenue of about 22.9% for the nine months ended 30 September 2015 as compared to the corresponding period in 2014. 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 nine months ended 30 September 2015, which represented a decrease of about 14.7% and 11.3% 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. At the same time, the Group continued the implementation of stringent cost control measures so as to maintain a stable business operation and financial position. With the effort from the management of the Group, the loss for the period dropped by about 36.2% despite a decline in revenue.

Despite the setback in the sales market, the Group implemented a series of initiatives to strengthen its brand in Hong Kong and Singapore. In Hong Kong, the Group opened its Central flagship store in August 2015. The new store separates into three display zones, composed of the classic collections, cosmopolitan for working executives and bridal & gifts series for young segment, 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. In Singapore, the Group hosted its annual Larry Splendour event “Timeless Grandeur” in July 2015. In the event, the guests were invited to an intimate dinner at the Four Seasons Hotel and got an exclusive preview of the Group’s Grandeur collection. The event promoted the Group’s latest jewelry products in Singapore, at the same time rewarded loyal customers for their long-term supports to the Group’s products.

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. 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, the acquisition of 100% of the issued share capital of Tung Fong Hung Investment Limited (the "Acquisition"), at a consideration of HK\$600,000,000. 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, 20 July 2015, 25 August 2015, 30 September 2015 and 2 October 2015.

FINANCIAL REVIEW

Revenue

The Group's revenue for the nine months ended 30 September 2015 was approximately HK\$136,159,000, as compared to approximately HK\$176,515,000 recorded in the corresponding period last year. This represents a decrease of about 22.9%, which was mainly attributed to the sluggish luxury retail market in Southeast Asia and Greater China, the closure of Tsim Sha Tsui store in mid-2014 and the temporary closure of Central store for around three months for relocation from G/F, Parker House, 72 Queen's Road Central to G6-8, China Building, 29 Queen's Road Central.

Gross Profit

Gross profit for the nine months ended 30 September 2015 was approximately HK\$31,241,000, down by approximately 31.9% from approximately HK\$45,853,000 in the corresponding period last year. The Group's gross profit margin as reported in the condensed consolidated statement of profit or loss was approximately 22.9% compared to approximately 26.0% 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 nine months ended 30 September 2015 in comparison to corresponding period last year.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the nine months ended 30 September 2015 decreased by about 32.0% to approximately HK\$38,107,000 as compared to approximately HK\$56,053,000 for the corresponding period last year. 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 and other operating expenses for the nine months ended 30 September 2015 decreased by about 12.2% to approximately HK\$24,121,000 compared to approximately HK\$27,459,000 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 record no finance costs for the nine months ended 30 September 2015 as compared to the finance cost of approximately HK\$11,992,000 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\$30,419,000 for the nine months ended 30 September 2015, as compared to the loss of approximately HK\$47,700,000 for the corresponding period last year. The decrease in loss of approximately HK\$17,281,000 was mainly attributable to the reduction in operating costs of the Group.

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 September 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 and short positions which they were 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 shares of the Company

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

Save as disclosed above, as at 30 September 2015, none of the Directors or the chief executive of the Company had any 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 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 September 2015, the following persons/corporations (other than the Directors or the chief executive of the Company) had interests or short positions in 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:

Long Positions in shares of the Company

Name of shareholders	Capacity of interests	Number of issued ordinary shares held	Approximate percentage to total issued shares
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.
2. Diamond Well International Limited is wholly and beneficially owned by Ms. Zhang Ya Juan.

Save as disclosed above, as at 30 September 2015, the Company had not been notified by any parties (other than the Directors or the chief executive of the Company) who had interests or short positions in 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 nine months ended 30 September 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.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Ong Chi King, an independent non-executive Director, resigned as the company secretary of Yue Da Mining Holdings Limited, the shares of which were listed on the main board of the Stock Exchange (Stock code: 629), with effect from 18 August 2015.

PURCHASE, REDEMPTION OR SALE OF THE 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 nine months ended 30 September 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close 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 during the nine months ended 30 September 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 during the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015.

INTEREST OF THE COMPLIANCE ADVISER

As at 30 September 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 third quarterly report, including the unaudited condensed consolidated results of the Group for the nine months ended 30 September 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, 10 November 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.