



LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

FIRST QUARTERLY REPORT
2016

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 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 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

For the three months ended 31 March 2016

		Three months ended	
		31 March	
	Notes	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	30,343	47,388
Cost of sales		(22,236)	(37,276)
Gross profit		8,107	10,112
Other income		1,066	202
Selling and distribution expenses		(9,467)	(12,163)
Administrative and other operating expenses		(6,007)	(8,123)
Loss before tax	4	(6,301)	(9,972)
Income tax credit	5	21	159
Loss for the period attributable to owners of the Company		(6,280)	(9,813)
Other comprehensive income (expense) <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		4,427	(3,523)
Total comprehensive expense for the period attributable to owners of the Company		(1,853)	(13,336)
		HK cents	HK cents
Loss per share attributable to owners of the Company during the period			
— Basic	7	(0.19)	(0.29)
— Diluted	7	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital contribution reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	33,704	599,171	3,988	(830)	(14,562)	(324,173)	297,298
Loss for the period	-	-	-	-	-	(6,280)	(6,280)
Exchange differences arising on translation of foreign operations	-	-	-	-	4,427	-	4,427
Total comprehensive expense for the period	-	-	-	-	4,427	(6,280)	(1,853)
At 31 March 2016 (unaudited)	<u>33,704</u>	<u>599,171</u>	<u>3,988</u>	<u>(830)</u>	<u>(10,135)</u>	<u>(330,453)</u>	<u>295,445</u>
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)
Exchange differences arising on translation 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>(830)</u>	<u>(11,720)</u>	<u>(283,536)</u>	<u>340,777</u>

NOTES TO THE FINANCIAL RESULTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on GEM. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 13/F., Pacific House, 20 Queen's Road Central, Hong Kong, respectively.

The Company is an investment holding company. Its principal subsidiaries are engaged in sales of jewelry products.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated results 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 results have been prepared under historical cost convention.

The principal accounting policies used in the unaudited condensed consolidated results for the three months ended 31 March 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the new and revised HKFRSs issued by the 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 results and/or disclosures set out in these condensed consolidated results. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue represents revenue arising on retailing of jewelry products for the period. An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of jewelry products	30,343	47,388

4. LOSS BEFORE TAX

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before tax is arrived at after charging (crediting):		
Auditors' remuneration	349	165
Cost of inventories recognised as expense	22,236	37,276
Depreciation for property, plant and equipment	736	636
Change in fair value of financial assets at fair value through profit or loss	—	112
Employee benefit expense	5,685	6,171
Net exchange (gain) loss	(802)	958
Operating lease payments in respect of rented premises	6,038	8,972

5. INCOME TAX CREDIT

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Singapore Corporate Income Tax — current year	—	—
Deferred taxation — current year	(21)	(159)
	(21)	(159)

No income tax has been provided for Singapore and Hong Kong as there is no estimated assessable profit derived from these tax jurisdictions for the three months ended 31 March 2016 and 2015.

6. DIVIDENDS

The Board has not declared the payment of a dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2016 of approximately HK\$6,280,000 (2015: HK\$9,813,000) and the weighted average number of ordinary shares for the three months ended 31 March 2016 of 3,370,393,075 (2015: 3,370,393,075) in issue.

There were no outstanding dilutive instruments for the three months ended 31 March 2016 and 2015.

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 Group’s sales in the first three months of 2016 were approximately HK\$30,343,000, down by 36.0% as compared with the corresponding period last year, which was primarily resulted from the decrease in sales contributed by Hong Kong segments due to the continued deterioration of the luxury retail market 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 2016, which represented a decrease of about 23.2% and 18.1% respectively as compared with the corresponding period in 2015. Despite the weak sales performance in Hong Kong, the Group’s revenue from Singapore segment has maintained steady and the Group also managed to achieve a better profit margins in both Hong Kong and Singapore 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 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, at a consideration of HK\$600,000,000. The Board considers that the Acquisition can, if materialises, provide a good opportunity to the Company to diversify the existing business stream of the Group. As at the date of this report, the Acquisition is still in process. For further details, please refer to the Company’s announcement dated 11 March 2015, 27 May 2015, 20 July 2015, 25 August 2015, 30 September 2015, 2 February 2016 and 7 March 2016.



FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 31 March 2016 was approximately HK\$30,343,000 as compared to approximately HK\$47,388,000 for the corresponding period in 2015. This represents a decrease of about 36.0% which was mainly attributed to the downturn of the luxury retail market in Hong Kong, and the closure of Causeway Bay store in August 2015.

Gross Profit

The gross profit for the three months ended 31 March 2016 was approximately HK\$8,107,000 as compared to approximately HK\$10,112,000 for the three months ended 31 March 2015, represents a decrease of about 19.8%. The gross profit margin of the Group was approximately 26.7% compared to approximately 21.3% for the corresponding period last year.

The improvement in the Group's gross profit margin was primarily attributable to the higher average selling price and effective discount control on jewelry products sold during the three months ended 31 March 2016 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 2016 decreased by about 22.2% to approximately HK\$9,467,000 compared to approximately HK\$12,163,000 for the corresponding period last year. The decrease was mainly attributable to the savings in overall rental costs upon the closing of Causeway Bay store and the relocation of the Central store in mid 2015.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the three months ended 31 March 2016 decreased by about 26.0% to approximately HK\$6,007,000 compared to approximately HK\$8,123,000 for the corresponding period last year. The decrease was mainly attributable to the effective cost control of management and the change from exchange loss for the three months ended 31 March 2015 to exchange gain for the three months ended 31 March 2016.

Loss Attributable to Owners of the Company

Accordingly, the loss attributable to owners of the Company for the three months ended 31 March 2016 decreased by approximately HK\$3,533,000 to approximately HK\$6,280,000 compared to loss of HK\$9,813,000 for the corresponding period last year.

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 2016, 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 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 shares of the Company (the "Shares")

Name of Director	Capacity of interests	Number of 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 2016, none of the Directors or the 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.

Save as disclosed above, at no time during the three months ended 31 March 2016 was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2016, the following persons/corporations (other than the Directors or the 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

Name of shareholders	Capacity of interests	Number of 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 in 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 in 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 31 March 2016, 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 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the three months ended 31 March 2016 or at any time during the three months ended 31 March 2016.

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 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company (as defined in the GEM Listing Rules) or 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 during the three months ended 31 March 2016.

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 2016.

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 2016.

INTEREST OF THE COMPLIANCE ADVISER

As at 31 March 2016, as confirmed by the Company's compliance adviser, Lego Corporate Finance Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 15 January 2016, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had material interests in the Group 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 unaudited condensed consolidated results of the Group for the three months ended 31 March 2016 and this report have 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 2016

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.