

LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

2018

INTERIM REPORT

CHARACTERISTICS OF THE GEM (“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 and six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

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

For the three months and six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	83,017	95,695	191,236	207,660
Cost of sales		(47,126)	(59,528)	(115,408)	(132,192)
Gross profit		35,891	36,167	75,828	75,468
Other gain and losses		(62)	353	1,585	826
Selling and distribution expenses		(29,023)	(33,475)	(61,406)	(68,555)
Administrative and other operating expenses		(21,500)	(20,149)	(42,293)	(41,765)
Finance costs		(6,088)	(716)	(13,555)	(1,082)
Loss before tax	5	(20,782)	(17,820)	(39,841)	(35,108)
Income tax (expense)/credit	6	(37)	(31)	(1,225)	(392)
Loss for the period attributable to owners of the Company		(20,819)	(17,851)	(41,066)	(35,500)
Other comprehensive income (expense) <i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(5,995)	3,018	(2,009)	7,171
Total comprehensive expense for the period attributable to owners of the Company		(26,814)	(14,833)	(43,075)	(28,329)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company during the period					
– Basic	8	(0.58)	(0.53)	(1.15)	(1.05)
– Diluted	8	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Non-current assets			
Property, plant and equipment	9	63,315	67,659
Intangible assets		118,805	118,805
Deferred tax assets		1,400	1,400
Deposits		15,750	17,758
		199,270	205,622
Current assets			
Inventories	10	294,409	325,662
Trade receivables	11	9,715	13,685
Prepayments, deposits and other receivables		224,251	92,828
Tax recoverable		–	244
Pledged bank deposits		9,146	17,912
Bank balances and cash		34,190	193,392
		571,711	643,723
Current liabilities			
Trade payables	12	52,950	80,579
Other payables and accruals		35,095	37,131
Tax payable		1,717	839
Derivative financial instruments		–	324
Bank and other borrowings		12,000	18,178
Bonds		73,226	73,226
Warrants		228,466	228,466
		403,454	438,743
Net current assets		168,257	204,980
Total assets less current liabilities		367,527	410,602

		30 June	31 December
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		19,384	19,384
Convertible bonds – due after one year		470,282	542,282
		489,666	561,666
Net liabilities		(122,139)	(151,064)
Capital and reserves			
Share capital	<i>13</i>	36,184	33,784
Share premium and reserves		(158,323)	(184,848)
		(122,139)	(151,064)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK\$'000	Share premium HK\$'000	Capital contribution reserve HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	<u>33,784</u>	<u>354,608</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	<u>58,697</u>	<u>(6,629)</u>	<u>(1,224,187)</u>	<u>(151,064)</u>
Loss for the period	-	-	-	-	-	-	-	(41,066)	(41,066)
- Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	(2,009)	-	(2,009)
Total comprehensive expense for the period	-	-	-	-	-	-	(2,009)	(41,066)	(43,075)
Issue of new shares upon conversion of convertible bonds	<u>2,400</u>	<u>69,600</u>	-	-	-	-	-	-	<u>72,000</u>
At 30 June 2018 (unaudited)	<u>36,184</u>	<u>424,208</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	<u>58,697</u>	<u>(8,638)</u>	<u>(1,265,253)</u>	<u>(122,139)</u>
At 1 January 2017 (audited)	<u>33,704</u>	<u>350,520</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	-	<u>(20,077)</u>	<u>(407,980)</u>	<u>588,830</u>
Loss for the period	-	-	-	-	-	-	-	(35,500)	(35,500)
- Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	7,171	-	7,171
Total comprehensive expense for the period	-	-	-	-	-	-	7,171	(35,500)	(28,329)
At 30 June 2017 (unaudited)	<u>33,704</u>	<u>350,520</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	<u>-</u>	<u>(12,906)</u>	<u>(443,480)</u>	<u>560,501</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	<u>(129,523)</u>	<u>(7,614)</u>
Investing activities:		
Other investing cash flows	<u>(5,927)</u>	<u>(1,200)</u>
Net cash used in investing activities	<u>(5,927)</u>	<u>(1,200)</u>
Financing activities:		
Interest paid	(14,904)	–
Repayment of derivative financial instruments	(324)	(29)
Repayment of bank borrowings	<u>(6,178)</u>	<u>(962)</u>
Net cash used in financing activities	<u>(21,406)</u>	<u>(991)</u>
Net decrease in cash and cash equivalents	(156,856)	(9,805)
Cash and cash equivalents at beginning of the period	257,942	66,830
Effect of foreign exchange rate changes	<u>(2,346)</u>	<u>707</u>
Cash and cash equivalents at end of the period	<u>98,740</u>	<u>57,732</u>
Represented by:		
Bank balances and cash	34,190	56,884
Cash held by securities broker	<u>64,550</u>	<u>848</u>
	<u>98,740</u>	<u>57,732</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 Room 704, 7/F., 1063 King's Road, Quarry Bay, Hong Kong, respectively.

The Company is an investment holding company. Its principal subsidiaries are engaged in design and retailing of jewelry products and sale of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the People's Republic of China (the "PRC").

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 six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, 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 and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs (“sales of pharmaceutical and health food products”) for the period. An analysis of the Group’s revenue for the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Retailing of jewelry products	25,250	34,630	47,380	64,542
Sale of pharmaceutical and health foods products	57,767	61,065	143,856	143,118
	<u>83,017</u>	<u>95,695</u>	<u>191,236</u>	<u>207,660</u>

4. SEGMENT INFORMATION

Information reported to the directors of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance, focuses on the locations of the operations and types of goods. This is also the basis upon which the Group is arranged and organised. The Group’s operating segments under HKFRS 8 “Operating Segments” are operations located in Hong Kong, Singapore, Macau and the People’s Republic of China (the “PRC”). The revenue generated by each of the operating segments is derived from retailing of jewelry products and sales of pharmaceutical and health food products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Following the acquisition of the entire equity interest in Tung Fong Hung Investment Limited (“Tung Fong Hung”) in 2016, the Group is engaged in retailing of jewelry products under the brand name of Larry Jewelry and sales of pharmaceutical and health food products under the brand name of Tung Fong Hung (“東方紅”). The Group’s operations are currently organised into five operating and reportable segments.

Specifically, the Group’s operating and reportable segments under HKFRS 8 are as follows:

1. Retail jewelry in Hong Kong – Retailing of jewelry products in Hong Kong
2. Retail jewelry in Singapore – Retailing of jewelry products in Singapore
3. Sales of pharmaceutical and health food products in Hong Kong – Sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong
4. Sales of pharmaceutical and health food products in Macau – Sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Macau
5. Sales of pharmaceutical and health food products in the PRC – Sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in the PRC

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

Six months ended 30 June 2018

	Retail Jewelry in Hong Kong HK\$'000	Retail Jewelry in Singapore HK\$'000	Sales of pharmaceutical and health food products in Hong Kong HK\$'000	Sales of pharmaceutical and health food products in Macau HK\$'000	Sales of pharmaceutical and health food products in PRC HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE							
External sales and segment revenue	8,615	38,765	92,969	18,609	32,278	-	191,236
Inter-segment sales	80	-	6,710	-	2	(6,792)	-
Total	<u>8,695</u>	<u>38,765</u>	<u>99,679</u>	<u>18,609</u>	<u>32,280</u>	<u>(6,792)</u>	<u>191,236</u>
RESULTS							
Segment (loss) profit	<u>(8,440)</u>	<u>(3,005)</u>	<u>(6,452)</u>	<u>5,397</u>	<u>(1,479)</u>	-	(13,979)
Unallocated expenses							(12,307)
Finance costs							<u>(13,555)</u>
Loss before tax							<u>(39,841)</u>

Six months ended 30 June 2017

	Retail Jewelry in Hong Kong HK\$'000	Retail Jewelry in Singapore HK\$'000	Sales of pharmaceutical and health food products in Hong Kong HK\$'000	Sales of pharmaceutical and health food products in Macau HK\$'000	Sales of pharmaceutical and health food products in PRC HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE							
External sales and segment revenue	16,906	47,636	89,810	21,793	31,515	-	207,660
Inter-segment sales	338	-	9,251	-	56	(9,645)	-
Total	<u>17,244</u>	<u>47,636</u>	<u>99,061</u>	<u>21,793</u>	<u>31,571</u>	<u>(9,645)</u>	<u>207,660</u>
RESULTS							
Segment (loss) profit	<u>(11,765)</u>	<u>1,377</u>	<u>(19,683)</u>	<u>3,614</u>	<u>(3,002)</u>	-	(29,459)
Unallocated expenses							(4,567)
Finance costs							<u>(1,082)</u>
Loss before tax							<u>(35,108)</u>

Segment (losses) profit represents the (losses) profit from each segment without allocation of unallocated expenses (which mainly include central administration costs and directors' salaries). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

5. LOSS BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss before tax is arrived at after charging (crediting):				
Auditors' remuneration	129	229	146	350
Cost of inventories recognised as expense	47,126	59,528	115,408	132,192
Depreciation for property, plant and equipment	4,398	5,115	10,271	10,201
Employee benefit expense	15,799	18,641	34,580	41,004
Net exchange (gain) loss	186	1,403	119	2,062
Operating lease payments in respect of rented premises	16,274	18,449	34,214	36,844

6. INCOME TAX EXPENSE (CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax				
– Current year	330	285	1,518	648
Singapore Corporate Income Tax				
– Over provision in prior period	–	(290)	–	(290)
Deferred taxation – current period	(293)	36	(293)	34

7. DIVIDENDS

The Board has not declared the payment of a dividend for the six months ended 30 June 2018 (2017: Nil).

8. 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 and six months ended 30 June 2018 of approximately HK\$20,819,000 (2017: HK\$17,851,000) and HK\$41,066,000 (2017: HK\$35,500,000) and the weighted average number of ordinary shares for the three months and six months ended 30 June 2018 of 3,618,393,070 and 3,579,056,053, respectively (three months and six months ended 30 June 2017: 3,370,393,070) in issue.

There were no outstanding dilutive instruments for the three months and six months ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately HK\$5,927,000 (six months ended 30 June 2017: HK\$1,200,000) on acquisition of property, plant and equipment.

10. INVENTORIES

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Jewelry products	126,825	127,991
Pharmaceutical and health food products	167,584	197,671
	<u>294,409</u>	<u>325,662</u>

11. TRADE RECEIVABLES

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
0 – 30 days	6,668	9,984
31 – 60 days	22	516
61 – 90 days	233	713
91 – 180 days	1,043	1,434
181 – 365 days	357	1,038
Over 365 days	1,392	–
	9,715	13,685

12. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
0 – 30 days	12,762	26,238
31 – 60 days	5,710	26,714
61 – 90 days	4,924	5,692
91 – 180 days	6,024	12,729
181 – 365 days	20,655	9,206
Over 365 days	2,875	–
	52,950	80,579

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2017	3,370,393,070	33,704
Issue of shares upon exercise of share options	8,000,000	80
At 31 December 2017	3,378,393,070	33,784
Issue of shares upon conversion of convertible bonds	240,000,000	2,400
At 30 June 2018	3,618,393,070	36,184

14. COMMITMENTS

Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office, warehouse and retail shop premises which fall due as follows:

	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Within one year	43,488	44,616
In the second to fifth years inclusive	29,401	30,126
	72,889	74,742

Operating lease payments represent rentals paid or payable by the Group for certain of its office, warehouse and retail shop premises. Leases are negotiated for a lease term of one to four years (31 December 2017: one to four years).

There are certain lease arrangements for rented retail shop premises, according to which the Group is committed to pay minimum guaranteed amounts and additional monthly payments determined based on monthly sales levels.

There are concessionaire arrangements for concessionaire stores/counters within the shopping malls according to which the Group is committed to pay either minimum guaranteed amounts or concessionaire fees that are based on prescribed rates of corresponding sales level.

Most concessionaire arrangement are negotiated for terms ranging from one year to three years.

Capital and other Commitments

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– Acquisition of plant and machinery	–	732
	<u>–</u>	<u>732</u>
	<u>–</u>	<u>732</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group's business can be broadly categorised into two main sectors: (i) jewelry and (ii) pharmaceutical.

Jewelry

2 new flagship shops has just been opened in 2018 following the termination of the shop at China Building upon expiration of the tenancy agreement in the first half of 2018. So the number of shops in Hong Kong increased from one to two.

The jewelry segment focuses on 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 Hong Kong remained soft in the first quarter of 2018, and the Group recorded a drop in revenue of about 26.6% for the six months ended 30 June 2018 as compared to the corresponding period in 2017. Despite the weak sales performance in Hong Kong, the Group managed to achieve a better profit margin in both Hong Kong and Singapore market.

The Group remains cautiously optimistic in the luxury jewelry market in the 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.

Pharmaceutical

The acquisition of the entire issued share capital in and the shareholder's loan to Tung Fong Hung Investments Limited ("TFH") was completed on 22 August 2016. Since then, TFH became the wholly-owned subsidiary of the Group.

TFH and its subsidiaries are principally engaged in the business of sourcing, processing, re-packaging and retailing of Chinese pharmaceutical products, dry seafood, health products and foodstuff in the brand name of "Tung Fong Hung" ("東方紅") in Hong Kong, Macau and the mainland China. In Hong Kong, Tung Fong Hung Medicine Company Limited, the retailing arm of TFH, is a licensed manufacturer of nine type of traditional Chinese medicine ("TCM") under the Chinese Medicine Ordinance. TFH has 14 retail shops in Hong Kong, 2 retail shops in Macau and 35 retail outlets in the mainland China. The head office of TFH is located at Tai Po Industrial Estate in Hong Kong.

According to the Government statistics, the retail market turnaround in 2018. Following the turnaround of Hong Kong retail market, TFH plans to open a couple of new shops in Hong Kong. One of the planned new shop has been launched in July 2018.

Looking ahead, TFH shall review the sales network and customer focus of TFH and to introduce more locally made products to suit the needs of domestic market through its newly refurbished food and TCM production facilities.

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 2018 was approximately HK\$191,236,000, as compared to approximately HK\$207,660,000 recorded in the corresponding period last year. This represents a slight decrease of about 7.9%.

Gross Profit

Gross profit for the six months ended 30 June 2018 was approximately HK\$75,828,000, increased approximately 0.5% from approximately HK\$75,468,000 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 39.7% compared to approximately 36.3% for the corresponding period last year.

The improvement in the Group's gross profit margin was primarily attributable to the change in products mix during the six months ended 30 June 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2018 decreased by about 10.4% to approximately HK\$61,406,000 as compared to approximately HK\$68,555,000 for the corresponding period last year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the six months ended 30 June 2018 slightly increased by about 1.3% to approximately HK\$42,293,000 compared to approximately HK\$41,765,000 for the corresponding period last year.

Finance Costs

The Group record finance costs of approximately HK\$13,555,000 for the six months ended 30 June 2018 increased by approximately HK\$12,473,000 as compared to approximately HK\$1,082,000 for the corresponding period last year, which was mainly due to increase in imputed interests on convertible bonds and other borrowing.

Loss Attributable to Owners of the Company

Accordingly, loss attributable to owners of the Company was approximately HK\$41,066,000 for the six months ended 30 June 2018, as compared to the loss of approximately HK\$35,500,000 for the corresponding period last year.

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

There were no other significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2018 and there is no plan for material investments or capital assets as at the date of this report.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company comprising issued share capital, share premium, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK\$98,740,000 (31 December 2017: HK\$257,942,000 and pledged bank deposits of approximately HK\$9,146,000 (31 December 2017: HK\$17,912,000). As at 30 June 2018, the Group had bank and other borrowing, bonds and convertible bonds amounted to approximately HK\$12,000,000 (31 December 2017: HK\$18,178,000), HK\$73,226,000 (31 December 2017: HK\$73,226,000) and HK\$470,282,000 (31 December 2017: HK\$542,282,000), respectively. The gearing ratio which is defined as bonds, warrants, convertible bonds and bank and other borrowings in total divided by total equity was approximately -642% (31 December 2017: -571%).

As at 30 June 2018, the Group had net current assets of approximately HK\$168,257,000 (31 December 2017: HK\$204,980,000). The current ratio of the Group as at 30 June 2018 was approximately 1.4 (31 December 2017: 1.5).

PLEDGE OF ASSETS

As at 30 June 2018, the Group's pledged bank deposits of approximately HK\$9,146,000 (31 December 2017: HK\$17,912,000) were pledged as securities for bank guarantees provided by banks to certain suppliers and credit facilities provided by banks.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2018 and 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2018, the Group's exposure to currency risk was limited to its pledged bank deposits and trade payables denominated in United States Dollars ("USD") as majority of the Group's transactions, monetary assets and liabilities are denominated in Hong Kong Dollars ("HK\$"), Renminbi ("RMB") and Singapore Dollars ("SGD"). The Group is of the opinion that its exposure to foreign exchange rate risk is limited. The Group will continue to monitor its foreign currency exposure closely.

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 2018, the Group had approximately 420 (31 December 2017: 452) employees, including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2018 were approximately HK\$34,580,000 (six months ended 30 June 2017: HK\$41,004,000). 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 CORPORATIONS

As at 30 June 2018, 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 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 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:

INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Chan Wing Chung	Personal	420,000	–	0.01
Mr. Shum Lok To	Personal	2,700,000	–	0.07
Share Options				
Mr. Chan Wing Chung	Personal	32,000,000 (Note 1)	–	0.88
Mr. Wong Kui Shing Danny	Personal	33,000,000 (Note 1)	–	0.91
Mr. Tso Ping Cheong Brian	Personal	2,000,000 (Note 1)	–	0.06

Note:

- (1) The interest relates to share options granted on 22 August 2017 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$0.34 for each Share during the period from 1 September 2017 to 21 August 2027.

Save as disclosed above, as at 30 June 2018, none of the Directors or 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.

Save as disclosed above, at no time during the period 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 30 June 2018, the following persons/corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and the 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 AND UNDERLYING SHARES OF THE COMPANY

Name of director	Capacity of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage to total issued shares at 30 June 2018
Best Fine International Limited ("Best Fine") (Note 1)	Beneficial owner	–	936,000,000	25.86%
China Huarong Asset Management Co., Limited ("CHAMCL") (Note 1)	Interest of controlled corporation	–	936,000,000	25.86%
China Huarong International Holdings Limited ("CHIH") (Note 1)	Interest of controlled corporation	–	936,000,000	25.86%

Name of director	Capacity of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage to total issued shares at 30 June 2018
Right Select International Limited ("Right Select") (Note 1)	Interest of controlled corporation	–	936,000,000	25.86%
Fullink Management Limited (Note 2)	Beneficial owner	265,300,000	–	7.33%
Mr. Tsang, Michael Manheem (Note 2)	Interest of controlled corporation	265,300,000	–	7.33%

Notes:

1. These interests represented the interests in underlying shares in respect of the convertible bonds and warrants issued by the Company to Best Fine pursuant to the conditional placing agreement dated 16 May 2017 (as supplemented on 19 May 2017). For details, please refer to the Company announcements dated 16 May 2017 and 19 May 2017.

Best Fine is wholly-owned by Right Select which is wholly-owned by CHIHL which is ultimately owned by CHAMCL. Therefore, under the SFO, Right Select are deemed to be interested in all the underlying Shares held by Best Fine and CHIHL and CHAMCL are deemed to be interested in all the underlying Shares in which Right Select had interest or deemed interest.

2. These shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Manheem.

Save as disclosed above, as at 30 June 2018, 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, full time employees) may be granted options to subscribe for the shares. The principal terms of the share option scheme are summarised in the paragraph headed "Share Option Scheme" in appendix V to the prospectus of the Company dated 29 September 2009.

During the six months ended 30 June 2018, 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. Tso Ping Cheong Brian was appointed as an independent non-executive director of Shenglong Splendecor International Limited (stock code: 8481) with effect from 1 June 2018, the shares of which were listed on the GEM board of the Hong Kong Stock Exchange.

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 2018.

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 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 six months ended 30 June 2018.

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 2018.

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 2018.

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 2018.

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 six months ended 30 June 2018 or at any time during the six months ended 30 June 2018.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Shum Lok To (chairman of the Audit Committee), Mr. Ong Chi King and Mr. Tso Ping Cheong Brian. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this report have been reviewed by the Audit Committee.

By order of the Board
Larry Jewelry International Company Limited
Wong Kui Shing Danny
Executive director

Hong Kong, 7 August 2018

As at the date of this report, the Board comprises Mr. Chan Wing Chung and Mr. Wong Kui Shing Danny as executive Directors and Mr. Ong Chi King, Mr. Shum Lok To and Mr. Tso Ping Cheong Brian as independent non-executive Directors.