

LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

2019
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 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 enquiries, 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.

This report, in both English and Chinese versions, is available on the Company’s website at www.larryjewelryinternational.com.

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 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

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

For the three months and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	56,802	83,017	147,138	191,236
Cost of sales		(36,640)	(47,126)	(94,952)	(115,408)
Gross profit		20,162	35,891	52,186	75,828
Other gain and losses		3,849	(62)	5,944	1,585
Selling and distribution expenses		(31,002)	(29,023)	(56,113)	(61,406)
Administrative and other operating expenses		(27,686)	(21,500)	(42,130)	(42,293)
Finance costs		(4,810)	(6,088)	(9,738)	(13,555)
Loss before tax	5	(39,487)	(20,782)	(49,851)	(39,841)
Income tax (expense)/credit	6	174	(37)	366	(1,225)
Loss for the period attributable to owners of the Company		(39,313)	(20,819)	(49,485)	(41,066)
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(4,695)	(5,995)	(1,360)	(2,009)
Total comprehensive expense for the period attributable to owners of the Company		(44,008)	(26,814)	(50,845)	(43,075)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to owners of the Company during the period					
– Basic	8	(1.09)	(0.58)	(1.37)	(1.15)
– Diluted	8	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	82,005	54,271
Intangible assets		112,726	112,726
Deferred tax assets		1,400	1,653
Deposits		3,934	18,448
		200,065	187,098
Current assets			
Inventories	10	237,315	235,877
Trade receivables	11	7,615	7,562
Prepayments, deposits and other receivables		102,411	159,582
Pledged bank deposits		8,488	9,041
Restricted bank deposits		–	328
Bank balances and cash		26,722	32,776
		382,551	445,166
Current liabilities			
Trade payables	12	64,656	90,534
Other payables and accruals		49,795	68,342
Tax payable		331	898
Leased liabilities — current portion		29,262	–
Bank and other borrowings		40,000	40,000
Convertible bonds		209,729	209,729
		393,773	409,503
Net current (liabilities) assets		(11,222)	35,663
Total assets less current liabilities		188,843	222,761

		30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		19,383	18,380
Leased liabilities — long term portion		15,924	—
		35,307	18,380
Net liabilities		153,536	204,381
Capital and reserves			
Share capital	13	36,184	36,184
Share premium and reserves		117,352	168,197
		153,536	204,381

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital	Share premium	Capital contribution reserve	Merger reserve	Contributed surplus	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	<u>36,184</u>	<u>459,638</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	<u>(2,582)</u>	<u>58,697</u>	<u>(10,163)</u>	<u>(970,056)</u>	<u>204,381</u>
Loss for the period	-	-	-	-	-	-	-	-	(49,485)	(49,485)
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(1,360)	-	(1,360)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(1,360)	(49,485)	(50,845)
At 30 June 2019 (unaudited)	<u>36,184</u>	<u>459,638</u>	<u>3,988</u>	<u>(830)</u>	<u>629,505</u>	<u>(2,582)</u>	<u>58,697</u>	<u>(11,523)</u>	<u>(1,019,541)</u>	<u>153,536</u>
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 operations	-	-	-	-	-	-	-	(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	2,400	69,600	-	-	-	-	-	-	-	72,000
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>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated (used) in operating activities	9,823	(129,523)
Investing activities:		
Other investing cash flows	(15,378)	(5,927)
Net cash used in investing activities	(15,378)	(5,927)
Financing activities:		
Interest paid	(201)	(14,904)
Repayment of derivative financial instruments	-	(324)
Repayment of bank borrowings	-	(6,178)
Net cash used in financing activities	(201)	(21,406)
Net decrease in cash and cash equivalents	(5,756)	(156,856)
Cash and cash equivalents at beginning of the period	39,876	257,942
Effect of foreign exchange rate changes	(298)	(2,346)
Cash and cash equivalents at end of the period	33,822	98,740
Represented by:		
Bank balances and cash	26,722	34,190
Cash held by securities broker	7,100	64,550
	33,822	98,740

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 19/F, Prosperity Tower, 39 Queen's Road Central, Central, 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, 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.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognized the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments there was no impact to the retained earnings.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. Such right-of-use assets were included in the property, plant and equipment in the condensed consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets	45,186
	<hr/>
Increase in total assets	45,186
	<hr/> <hr/>
Liabilities	
Increase in lease liabilities	45,186
	<hr/>
Increase in total liabilities	45,186
	<hr/> <hr/>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Retailing of jewelry products	18,901	25,250	39,042	47,380
Sales of pharmaceutical and health foods products	37,901	57,767	108,096	143,856
	56,802	83,017	147,138	191,236

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 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 divided 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 2019

	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 the PRC HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE							
External sales and segment revenue	5,968	33,074	67,178	11,141	29,777	-	147,138
Inter-segment sales	-	-	2,864	-	-	(2,864)	-
Total	<u>5,968</u>	<u>33,074</u>	<u>70,042</u>	<u>11,141</u>	<u>29,777</u>	<u>(2,864)</u>	<u>147,138</u>
RESULTS							
Segment (loss) profit	<u>(6,349)</u>	<u>(3,427)</u>	<u>(13,656)</u>	<u>429</u>	<u>(586)</u>	-	<u>(23,589)</u>
Unallocated expenses							(16,524)
Finance costs							<u>(9,738)</u>
Loss before tax							<u><u>(49,851)</u></u>

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 the 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>	-	<u>(13,979)</u>
Unallocated expenses							(12,307)
Finance costs							<u>(13,555)</u>
Loss before tax							<u><u>(39,841)</u></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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss before tax is arrived at after charging (crediting):				
Auditors' remuneration	379	129	396	146
Cost of inventories recognised as expense	36,640	47,126	94,952	115,408
Depreciation for property, plant and equipment	25,599	4,398	31,425	10,271
Employee benefit expense	12,155	15,799	29,390	34,580
Net exchange (gain) loss	(827)	186	216	119
Operating lease payments in respect of rented premises	(6,190)	16,274	8,935	34,214
	<u>(6,190)</u>	<u>16,274</u>	<u>8,935</u>	<u>34,214</u>

6. INCOME TAX EXPENSE (CREDIT)

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax	(174)	330	(366)	1,518
Deferred taxation – current period	–	(293)	–	(293)
	<u>(174)</u>	<u>37</u>	<u>(366)</u>	<u>1,225</u>

7. DIVIDENDS

The Board has not declared the payment of a dividend for the six months ended 30 June 2019 (2018: 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 2019 of approximately HK\$39,313,000 (2018: HK\$20,819,000) and HK\$49,485,000 (2018: HK\$41,066,000) and the weighted average number of ordinary shares for the three months and six months ended 30 June 2019 of 3,618,393,070, (three months and six months ended 30 June 2018: 3,618,393,070 and 3,579,056,053, respectively) in issue.

There were no outstanding dilutive instruments for the three months and six months ended 30 June 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately HK\$15,378,000 (six months ended 30 June 2018: HK\$5,927,000) on acquisition of property, plant and equipment.

10. INVENTORIES

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Jewelry products	104,659	109,079
Pharmaceutical and health food products	132,656	126,798
	237,315	235,877

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 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
0 – 30 days	5,785	6,689
31 – 60 days	28	288
61 – 90 days	230	44
91 – 180 days	1,372	243
181 – 365 days	147	245
Over 365 days	53	53
	7,615	7,562

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 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
0–30 days	16,874	15,101
31–60 days	838	8,572
61–90 days	333	4,575
91–180 days	1,457	32,149
181–365 days	28,477	29,684
Over 365 days	16,677	453
	64,656	90,534

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018		
31 December 2018 and 30 June 2019	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2018	3,378,393,070	33,784
Issue of shares upon conversion of convertible bonds	<u>240,000,000</u>	<u>2,400</u>
At 31 December 2018 and 30 June 2019	<u><u>3,618,393,070</u></u>	<u><u>36,184</u></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

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 half of 2019, and the Group recorded a drop in revenue of about 17.6% for the six months ended 30 June 2019 as compared to the corresponding period in 2018. 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 15 retail shops in Hong Kong, 2 retail shops in Macau and 36 retail outlets in the mainland China. The head office of TFH is located at Tai Po Industrial Estate in Hong Kong.

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 2019 was approximately HK\$147,138,000, as compared to approximately HK\$191,236,000 recorded in the corresponding period last year. This represents a decrease of about 23.1%.

Gross Profit

Gross profit for the six months ended 30 June 2019 was approximately HK\$52,186,000, decreased approximately 31.2% from approximately HK\$75,828,000 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 35.5% compared to approximately 39.7% for the corresponding period last year.

The decreases in the Group's gross profit margin was primarily attributable to the change in products mix during the six months ended 30 June 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2019 decreased by about 8.6% to approximately HK\$56,113,000 as compared to approximately HK\$61,406,000 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 2019 slightly decreased by about 0.4% to approximately HK\$42,130,000 compared to approximately HK\$42,293,000 for the corresponding period last year.

Finance Costs

The Group record finance costs of approximately HK\$9,738,000 for the six months ended 30 June 2019 decreased by approximately HK\$3,817,000 as compared to approximately HK\$13,555,000 for the corresponding period last year, which was mainly due to decrease 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\$49,485,000 for the six months ended 30 June 2019, as compared to the loss of approximately HK\$41,066,000 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 2019 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 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 2019, the Group had cash and cash equivalents of approximately HK\$33,822,000 (31 December 2018: HK\$39,876,000 and pledged bank deposits of approximately HK\$8,488,000 (31 December 2018: HK\$9,041,000). As at 30 June 2019, the Group had bank and other borrowing and convertible bonds amounted to approximately HK\$40,000,000 (31 December 2018: HK\$40,000,000), and HK\$209,729,000 (31 December 2018: HK\$209,729,000), respectively. The gearing ratio which is defined as convertible bonds and bank and other borrowings in total divided by total equity was approximately 163% (31 December 2018: 122%).

As at 30 June 2019, the Group had net current liabilities of approximately HK\$11,222,000 (31 December 2018: net current assets of HK\$35,663,000). The current ratio of the Group as at 30 June 2019 was approximately 1.0 (31 December 2018: 1.1).

PLEDGE OF ASSETS

As at 30 June 2019, the Group's pledged bank deposits of approximately HK\$8,488,000 (31 December 2018: HK\$9,041,000) 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 2019 and 31 December 2018.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2019, 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 2019, the Group had approximately 359 (31 December 2018: 399) employees, including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 30 June 2019 were approximately HK\$29,390,000 (six months ended 30 June 2018: HK\$34,580,000). 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and chief executives 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:

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. Shum Lok To	Personal	2,700,000	-	0.07
Share Options				
Mr. Wong Kui Shing Danny	Personal	33,000,000 (Note)	-	0.98
Mr. Tso Ping Cheong Brian	Personal	2,000,000 (Note)	-	0.06

Note: The interest relates to share options granted on 22 August 2017 by the Company to the Directors. The share options are exercisable at an exercise 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 2019, none of the Directors or chief executives 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 corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the following persons/corporations (other than the Directors or chief executives 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:

Shareholder's name	Capacity of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage to total issued shares at 30 June 2019
Mr. Allan Yap	Beneficial owner	721,290,000	–	19.93%
Best Fine International Limited ("Best Fine") (Note 1)	Beneficial owner	–	400,000,000	11.05%
China Huarong Asset Management Co., Limited ("CHAMCL") (Note 1)	Interest of controlled corporation	–	400,000,000	11.05%
China Huarong International Holdings Limited ("CHIH") (Note 1)	Interest of controlled corporation	–	400,000,000	11.05%
Right Select International Limited ("Right Select") (Note 1)	Interest of controlled corporation	–	400,000,000	11.05%
Fullink Management Limited ("Fullink") (Note 2)	Beneficial owner	265,300,000	–	7.33%
Mr. Tsang, Michael Manheem ("Mr. Tsang") (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 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's announcements dated 16 May 2017 and 19 May 2017.

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

- (2) These Shares are held by Fullink, which is beneficially owned as to 40% by Mr. Tsang.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any parties (other than the Directors or chief executives 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 Scheme are summarised in the paragraph headed “Share Option Scheme” in appendix V to the prospectus of the Company dated 29 September 2009.

Details of the movement in the share options granted under the Scheme for the six months ended 30 June 2019 are as follows:

Category of participants	Date of grant of share option	Exercise period	Exercise price (HK\$)	Outstanding as at 1 January 2019	Granted/ exercised/ cancelled during the period under review	Lapsed during the period under review	Outstanding as at 30 June 2019
Directors							
Mr. Wong Kui Shing Danny	22 August 2017	1 September 2017–31 August 2027	0.34	33,000,000	–	–	33,000,000
Mr. Tso Ping Cheong Brian	22 August 2017	1 September 2017–31 August 2027	0.34	2,000,000	–	–	2,000,000
Sub-total				35,000,000	–	–	35,000,000
Other Participants							
In aggregate	22 August 2017	1 September 2017–31 August 2027	0.34	292,000,000 (Note)	–	–	292,000,000 (Note)
Total				327,000,000	–	–	327,000,000

Note: These include 32,000,000 share options granted by the Company to Mr. Chan Wing Chung (“Mr. Chan”), the former executive director of the Company who resigned on 29 June 2019. Pursuant to the terms of the Scheme, Mr. Chan shall have the right to exercise his remaining share options granted within 30 days following the date of his resignation and his remaining share options will lapse automatically thereafter.

For the six months ended 30 June 2019, there were no share options granted, exercised, cancelled or lapsed under the Scheme and 327,000,000 share options remained exercisable at the beginning and at the end of the reporting period under the Scheme.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Wong Kui Shing Danny resigned as an executive director of Huiyin Holdings Group Limited (a company listed on the Main Board; stock code: 1178) on 10 April 2019.

Save as disclosed above, there is no other change in directors' information subsequent to the date of the first quarterly report for the three months ended 31 March 2019 as required under Rule 17.50A of the GEM Listing Rules.

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 2019 or at any time during the six months ended 30 June 2019.

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 2019.

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 2019.

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 2019.

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 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2019.

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 2019 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, 12 August 2019

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