

# LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

# 2020

FIRST QUARTERLY REPORT

## **CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Larry Jewelry International Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of Directors (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 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

For the three months ended 31 March 2020

		<b>Three months ended 31 March</b>	
	Notes	<b>2020 HK\$'000 (unaudited)</b>	2019 HK\$'000 (unaudited)
Revenue	3	<b>37,371</b>	90,336
Cost of sales		<b>(24,513)</b>	(58,312)
Gross profit		<b>12,858</b>	32,024
Other income		<b>2,149</b>	2,095
Selling and distribution expenses		<b>(23,146)</b>	(25,111)
Administrative and other operating expenses		<b>(8,300)</b>	(14,444)
Finance costs		<b>(10,629)</b>	(4,928)
Loss before tax	4	<b>(27,068)</b>	(10,364)
Income tax expense	5	<b>–</b>	192
Loss for the period attributable to owners of the Company		<b>(27,068)</b>	(10,172)
Other comprehensive (expense) income <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(4,799)</b>	3,335
Total comprehensive expense for the period attributable to owners of the Company		<b>(31,867)</b>	(6,837)
		<b>HK cents</b>	HK cents
Loss per share attributable to owners of the Company during the period			
— Basic	7	<b>(0.75)</b>	(0.28)
— Diluted	7	<b>N/A</b>	N/A

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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 2020 (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>(9,935)</u>	<u>(1,096,165)</u>	<u>78,500</u>
Loss for the period	-	-	-	-	-	-	-	-	(27,068)	(27,068)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(4,799)	-	(4,799)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(4,799)	(27,068)	(31,867)
At 31 March 2020 (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>(14,734)</u>	<u>(1,123,233)</u>	<u>46,633</u>
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	-	-	-	-	-	-	-	-	(10,172)	(10,172)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	3,335	-	3,335
Total comprehensive expense for the period	-	-	-	-	-	-	-	3,335	(10,172)	(6,837)
At 31 March 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>(6,828)</u>	<u>(980,228)</u>	<u>197,544</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 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 three months ended 31 March 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, 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 sale 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:

	<b>Three months ended 31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>		
Retailing of jewelry products	<b>10,492</b>	20,141
Sales of pharmaceutical and health food products	<b>26,879</b>	70,195
	<b>37,371</b>	90,336

### 4. LOSS BEFORE TAX

	<b>Three months ended 31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss before tax is arrived at after charging (crediting):		
Auditors' remuneration	<b>25</b>	17
Cost of inventories recognised as expense	<b>24,513</b>	58,312
Depreciation for property, plant and equipment	<b>2,487</b>	5,826
Depreciation for right-of-use assets	<b>11,402</b>	–
Employee benefit expense	<b>11,105</b>	17,235
Net exchange (gain) loss	<b>(461)</b>	1,043
Operating lease payments in respect of rented premises	<b>1,915</b>	15,125

## 5. INCOME TAX (CREDIT)/EXPENSE

	<b>Three months ended 31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong Profits Tax — current year	—	(192)
Deferred taxation — current year	—	—
	<hr/>	<hr/>
	—	(192)
	<hr/> <hr/>	<hr/> <hr/>

## 6. DIVIDENDS

The Board has not declared the payment of a dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: 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 2020 of approximately HK\$27,068,000 (2019: HK\$10,172,000) and the weighted average number of ordinary shares for the three months ended 31 March 2020 of 3,618,393,070 (2019: 3,618,393,070) in issue.

The computation of diluted loss per share for the three months ended 31 March 2020 and 2019 does not assume the conversion of the Company's outstanding convertible bonds, warrants or share options since their exercise would result in a decrease in loss per share

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

The Group's business are categorised into two main sectors: (i) jewelry and (ii) pharmaceutical and health food products.

#### **Jewelry**

The jewelry segment focuses on design and sale of jewelry products under the "LarryJewelry" 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.

Due to the outbreak of the novel coronavirus pneumonia (COVID-19) epidemic worldwide since the beginning of the year, the global economy (including Hong Kong and Singapore) was adversely affected on an unprecedented scale.

The revenue of the Company's jewelry business dropped by 48% as compared to the corresponding period in 2019 consequent to the closure of the Company's Hong Kong flagship retail shop located in Central in early 2020 and the lock-down of the Singaporean economy due to the COVID-19 epidemic.

Furthermore, the Singapore government has implemented very high safe distancing measure since April 2020 to avoid the spread of COVID-19. The Company expects that the Jewelry business shall be in a hard time during the second and third quarter of the year. Nevertheless, the Group remains cautiously optimistic in the luxury jewelry market in the long-run and to equip itself to cope with the rebound of this market sector by the end of this year.

#### **Pharmaceutical and health food products**

Tung Fong Hung Investments Limited ("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" 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 certain type of traditional Chinese medicine ("TCM") under the Chinese Medicine Ordinance. TFH has a total of 44 retail shops located in Hong Kong, Macau and the mainland China.

The TFH business of the Company is also hit to a significant extent during the first quarter of the year. Consequent to the COVID-19 epidemic and the massive community movement during the second half of 2019, the number of PRC visitors to Hong Kong have plunged 99%. As a result, the revenue of the TFH segment for the three months ended 31 March 2020 dropped by 62% as compared to the same period last year.

Following the relief of the corona virus epidemic, it is expected that business and tourists movement amongst PRC, Hong Kong and Macau shall gradually resume during the third quarter of the year. The Company's expects that the TFH business during the second half of the year will improve as a result of the returning of the PRC tourists and the resumed spending confidence of local market.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for the three months ended 31 March 2020 was approximately HK\$37,371,000, as compared to approximately HK\$90,336,000 recorded in the corresponding period last year. This represents a decrease of about 58.6%.

### **Gross Profit**

Gross profit for the three months ended 31 March 2020 was approximately HK\$12,858,000, decreased approximately 59.8% from approximately HK\$32,024,000 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 34.4% compared to approximately 35.4% for the corresponding period last year.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the three months ended 31 March 2020 decreased by about 7.8% to approximately HK\$23,146,000 as compared to approximately HK\$25,111,000 for the corresponding period last year.

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

The Group's administrative and other operating expenses for the three months ended 31 March 2020 decreased by about 42.5% to approximately HK\$8,300,000 compared to approximately HK\$14,444,000 for the corresponding period last year due to the tight cost control exercised for both business segments.

### **Finance Costs**

The Group record finance costs of approximately HK\$10,629,000 for the three months ended 31 March 2020 increased by approximately HK\$5,701,000 as compared to approximately HK\$4,928,000 for the corresponding period last year, which was mainly due to an increase in overdue interest on convertible bonds.

### **Loss Attributable to Owners of the Company**

Accordingly, loss attributable to owners of the Company was approximately HK\$27,068,000 for the three months ended 31 March 2020, as compared to the loss of approximately HK\$10,172,000 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**

None of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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.

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 31 March 2020, 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:

Shareholder's Name	Capacity of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage to total issued shares at 31 March 2020
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 ("CHIHL") (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 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 is deemed to be interested in all the underlying Shares held by Best Fine and CHIHL and CHAMCL is 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 31 March 2020, the Company had not been notified by any parties 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 during the three months ended 31 March 2020 are as follows:

Category of participants	Date of grant of share option	Exercise period	Exercise price (HK\$)	Outstanding as at 1 January 2020	Exercised/ cancelled during the period under review	Lapsed during the period under review	Outstanding as at 31 March 2020
Other Participants	22 August 2017	1 September 2017– 31 August 2027	0.34	254,000,000	–	–	254,000,000
<b>Total</b>				<u>254,000,000</u>	<u>–</u>	<u>–</u>	<u>254,000,000</u>

During the three months ended 31 March 2020, there were no share options granted, exercised, cancelled or lapsed under the Scheme and 254,000,000 share options remained exercisable at the beginning and at the end of the reporting period under the Scheme.

## **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 2020 or at any time during the three months ended 31 March 2020.

## **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 2020.

## **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 2020.

## **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 2020.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable development and growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company has adopted the code provisions as set out in the Corporate Governance Code ("CG Code") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

Pursuant to the Code Provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has not appointed a chairman or a chief executive officer and the role and functions of chairman and chief executive officer have been performed by the executive Director.

Save for the aforesaid, in the opinion of the Directors, the Company was in compliance with the relevant code provisions set out in the CG Code during the three months ended 31 March 2020.

## 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. Lin Qiu Fa (chairman of the Audit Committee), Mr. Ke Jun and Mr. Chung Kwok Pong. The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 and this report have been reviewed by the Audit Committee.

By order of the Board  
**Larry Jewelry International Company Limited**  
**Lan Yang**  
*Executive Director*

Hong Kong, 15 May 2020

*As at the date of this report, the Board comprises Mr. Lan Yang as executive Director, Ms. Lai Pik Chi Peggy as non-executive Director and Mr. Lin Qiu Fa, Mr. Ke Jun and Mr. Chung Kwok Pong as independent non-executive Directors.*