

LARRY JEWELRY

INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

2020
INTERIM REPORT

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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 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 and six months ended 30 June 2020

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	20,823	56,802	58,194	147,138
Cost of sales		(17,512)	(36,640)	(42,025)	(94,952)
Gross profit		3,311	20,162	16,169	52,186
Other gain and losses		4,919	3,849	7,068	5,944
Selling and distribution expenses		(824)	(31,002)	(23,970)	(56,113)
Administrative and other operating expenses		(21,591)	(27,686)	(29,891)	(42,130)
Finance costs		(10,234)	(4,810)	(20,863)	(9,738)
Loss before tax	5	(24,419)	(39,487)	(51,487)	(49,851)
Income tax credit	6	94	174	94	366
Loss for the period attributable to owners of the Company		(24,325)	(39,313)	(51,393)	(49,485)
Other comprehensive income (expenses)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		3,921	(4,695)	(878)	(1,360)
Total comprehensive expense for the period attributable to owners of the Company		(20,404)	(44,008)	(52,271)	(50,845)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to owners of the Company during the period					
– Basic		(0.67)	(1.09)	(1.42)	(1.37)
– Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000
Non-current assets			
Property, plant and equipment	9	42,112	48,267
Right-of-use assets		38,006	51,219
Intangible assets		112,726	112,726
Deferred tax assets		2,039	42
Deposits		6,007	4,124
		200,890	216,378
Current assets			
Inventories	10	189,172	213,483
Trade receivables	11	12,409	14,942
Prepayments, deposits and other receivables		37,483	36,776
Pledged bank deposits		773	8,508
Bank balances and cash		27,391	28,203
		267,228	301,912
Current liabilities			
Trade payables	12	51,413	67,146
Other payables and accruals		88,258	66,620
Tax payable		179	331
Leased liabilities - current portion		33,319	42,368
Other borrowings		10,000	10,000
Convertible bonds		217,849	204,909
		401,018	391,374
Net current liabilities		(133,790)	(89,462)
Total assets less current liabilities		67,100	126,916

		30 June 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		12,605	19,384
Lease liabilities — long term portion		28,266	29,032
		40,871	48,416
Net assets		26,229	78,500
Capital and reserves			
Share capital	13	36,184	36,184
share premium and reserves		(9,955)	42,316
		26,229	78,500

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Capital contribution reserve	Merger reserve	Contributed surplus	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2020 (unaudited and as previously stated)	36,184	459,638	3,988	(830)	629,505	(2,582)	58,697	(9,935)	(1,096,165)	78,500
Adjustments:										
Lapse of share options	-	-	-	-	-	-	(13,104)	-	13,104	-
At 1 January 2020 (unaudited and restated)	36,184	459,638	3,988	(830)	629,505	(2,582)	45,593	(9,935)	(1,083,061)	78,500
Loss for the period	-	-	-	-	-	-	-	-	(51,393)	(51,393)
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	(878)	-	(878)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	(878)	(51,393)	(52,271)
Lapse of share options	-	-	-	-	-	-	(19,655)	-	19,655	-
At 30 June 2020 (unaudited)	36,184	459,638	3,988	(830)	629,505	(2,582)	25,938	(10,813)	(1,114,799)	26,229
At 1 January 2019 (audited)	36,184	459,638	3,988	(830)	629,505	(2,582)	58,697	(10,163)	(970,056)	204,381
Loss for the period	-	-	-	-	-	-	-	-	(49,485)	(49,485)
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	(1,360)	-	(1,360)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	(1,360)	(49,485)	(50,845)
At 30 June 2019 (unaudited)	36,184	459,638	3,988	(830)	629,505	(2,582)	58,697	(11,523)	(1,019,541)	153,536

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated in operating activities	3,613	9,823
Investing activities		
Other investing cash flows	(1,966)	(15,378)
Net cash used in investing activities	(1,966)	(15,378)
Financing activities		
Interest paid	(2,300)	(201)
Net cash used in financing activities	(2,300)	(201)
Net decrease in cash and cash equivalents	(653)	(5,756)
Cash and cash equivalents at beginning of the period	28,203	39,876
Effect of foreign exchange rate changes	(159)	(298)
Cash and cash equivalents at end of the period	27,391	33,822
Represented by:		
Bank balances and cash	27,391	26,722
Cash held by securities broker	-	7,100
	27,391	33,822

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 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.

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Retailing of jewelry products	6,759	18,901	17,251	39,042
Sales of pharmaceutical and health food products	14,064	37,901	40,943	108,096
	20,823	56,802	58,194	147,138

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.

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 2020

	Retail Jewelry in Hong Kong HK\$'000	Retail Jewelry in Singapore HK\$'000	Sale of pharmaceutical and health food products in Hong Kong HK\$'000	Sale of pharmaceutical and health food products in Macau HK\$'000	Sale of pharmaceutical and health food products in the PRC HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE							
External sales and segment revenue	7,157	10,094	14,692	3,657	22,594	-	58,194
Inter-segment sales	-	-	2,115	-	-	(2,115)	-
Total	<u>7,157</u>	<u>10,094</u>	<u>16,807</u>	<u>3,657</u>	<u>22,594</u>	<u>(2,115)</u>	<u>58,194</u>
RESULTS							
Segment loss	<u>(5,291)</u>	<u>(5,259)</u>	<u>(10,342)</u>	<u>(1,767)</u>	<u>(2,206)</u>	-	<u>(24,865)</u>
Unallocated expenses							(5,759)
Finance costs							<u>(20,863)</u>
Loss before tax							<u>(51,487)</u>

Six months ended 30 June 2019

	Retail Jewelry in Hong Kong HK\$'000	Retail Jewelry in Singapore HK\$'000	Sale of pharmaceutical and health food products in Hong Kong HK\$'000	Sale of pharmaceutical and health food products in Macau HK\$'000	Sale 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>(49,851)</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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss before tax is arrived at after charging (crediting):				
Auditors' remuneration	60	379	82	396
Cost of inventories recognised as expense	17,512	36,640	42,025	94,952
Depreciation for property, plant and equipment	2,414	25,599	4,901	31,425
Depreciation for right-of-use assets	7,101	–	18,206	–
Employee benefit expense	6,868	12,155	17,973	29,390
Net exchange (gain) loss	619	(827)	158	216
Operating lease payments in respect of rented premises	614	(6,190)	1,228	8,935
	<u>614</u>	<u>(6,190)</u>	<u>1,228</u>	<u>8,935</u>

6. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax	–	174	–	366
Singapore Corporate Tax	94	–	94	–
	<u>94</u>	<u>174</u>	<u>94</u>	<u>366</u>

7. DIVIDENDS

The Board has not declared the payment of a dividend for the six months ended 30 June 2020 (2019: 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 2020 of approximately HK\$24,325,000 (2019: HK\$39,313,000) and HK\$51,393,000 (2019: HK\$49,485,000) and the weighted average number of ordinary shares for the three months and six months ended 30 June 2020 of 3,618,393,070, (three months and six months ended 30 June 2019: 3,618,393,070) in issue.

There were no outstanding dilutive instruments for the three months and six months ended 30 June 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group spent approximately HK\$83,000 (six months ended 30 June 2019: HK\$15,378,000) on acquisition of property, plant and equipment.

10. INVENTORIES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (unaudited)
Jewelry products	99,223	119,124
Pharmaceutical and health food products	89,949	94,359
	189,172	213,483

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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (unaudited)
0–30 days	8,103	11,285
31–60 days	–	299
61–90 days	337	80
91–180 days	783	1,292
181–365 days	1,837	1,859
Over 365 days	1,349	127
	12,409	14,942

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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (unaudited)
0–30 days	7,017	21,074
31–60 days	201	3,813
61–90 days	4	627
91–180 days	2,466	1,176
181–365 days	1,805	2,127
Over 365 days	39,920	38,329
	51,413	67,146

13. SHARE CAPITAL

	Number of shares	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2019, 31 December 2019 and 30 June 2020	10,000,000,000	10,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	3,618,393,070	36,184

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are broadly categorised into (i) design and retailing of a broad range of fine jewelry products in Hong Kong and Singapore under the “Larry Jewelry” brand; and (ii) sourcing, processing, re-packaging and retailing of Chinese pharmaceutical products, dry seafood, health products and foodstuff in Hong Kong, Macau and the Mainland China under the brand “Tung Fong Hung”. The Group’s revenue for the year was approximately HK\$58.2 million, decreased by 60.4% against the revenue of approximately HK\$147.1 million for the six months ended 30 June 2019. Loss for the current period was approximately HK\$51.4 million, increased by approximately HK\$1.9 million from the loss of approximately HK\$49.5 million for the same period last year.

BUSINESS REVIEW AND PROSPECTS

Retail jewelry

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. Consequent to the pan-community streets violence during the second half of 2019 and the COVID-19 pandemic since January 2020, the inbound tourists market collapsed. The luxury goods market in Hong Kong in the first half of the year was severely affected. The jewelry segment recorded a drop in revenue of about 55.6% from approximately HK\$39.0 million for the six months ended 30 June 2019 to approximately HK\$17.3 million for the first half of 2020. Hong Kong is still facing weak momentum in retail industry. The Group remains cautiously optimistic in the luxury jewelry market in the medium and long-run. Whilst Hong Kong was in a very unstable political environment, the Company closed its flagship shop in IFC Mall during the first quarter of 2020. Furthermore, the Group also seeks to diversify its business into the PRC market and it is expected that the proportion of the PRC market shall be increased in the coming future. Looking ahead, the Board and management expect the business environment to remain challenging but we are cautiously optimistic towards the overall outlook of the Group. We will endeavor to stabilise the existing jewelry retail operations and seek for new income source to enable the Group to grow and move forward.

Sales of pharmaceutical and health food products

This sector is principally engaged in the business of sourcing, processing, re-packaging and retailing of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in the brand name of “Tung Fong Hung” (“TFH”) 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 types of traditional Chinese medicine (“TCM”) under the Chinese Medicine Ordinance. As said, the pan-community streets violence and the COVID-19 pandemic hit the inbound tourists market and consequently the retail market to a significant extent. The Group’s pharmaceutical and health food retail sector attained a turnover of approximately HK\$40.9 million during the first half of 2020, represented a 62.2% decrease from the 2019 sales of approximately HK\$108.1 million. The trade war between PRC and USA also affected the spending confidence in the PRC markets. The Group’s Tung Fong Hung PRC revenue dropped from approximately HK\$29.8 million in 2019 by 24.2% to approximately HK\$22.6 million in 2020. Looking ahead, the Group shall review the sales network and customer focus of TFH and to introduce more locally made products to suit the needs of domestic market. The Group shall seek for suitable business opportunities to diversify its 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 year was approximately HK\$58.2 million compared to approximately HK\$147.1 million for the interim period last year, representing a decrease of about 60.4%. The drop was attributed to TFH as to approximately HK\$67.1 million and to jewelry retail segment as to approximately HK\$21.8 million.

Gross Profit

The Group’s gross profit for the year decreased by about 69.0% to approximately HK\$16.2 million compared to approximately HK\$52.2 million for the last interim period. The Group’s gross profit margin was approximately 27.8% compared to approximately 35.5% for the interim period last year.

Selling and Distribution Expenses

The Group’s selling and distribution expenses for the first half of the year decreased by about 57.2% to approximately HK\$24.0 million compared to approximately HK\$56.1 million for the last interim period.

Administrative Expenses

The Group’s administrative expenses for the year was better-off by about 29.0% to approximately HK\$29.9 million compared to approximately HK\$42.1 million for the last interim period. The decrease was mainly attributable to effect of cost control measure during the year.

Finance Costs

The Group recorded finance cost of approximately HK\$20.9 million (six months ended 30 June 2019: HK\$9.7 million) for the year on its convertible notes and other borrowings. The increase in finance costs was attributable to the penalty interest charged at 18.25% per annum on the Company's overdue convertible notes outstanding.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company was approximately HK\$51.4 million for the six months ended 30 June 2020 compared to a loss of approximately HK\$49.5 million for the last interim period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$27.4 million (at 31.12.2019: HK\$28.2 million) and pledged bank deposits of approximately HK\$0.8 million (at 31.12.2019: HK\$8.5 million). As at 30 June 2020 and 31 December 2019, the Group had other borrowing, bonds and convertible bonds in aggregate of approximately HK\$227.8 million and HK\$214.9 million respectively. The gearing ratio which is defined as bonds, warrants, convertible bonds and other borrowings in total divided by total equity was approximately 869% (at 31.12.2019: 274%).

The Group financed its operations principally by revenue generated from business operations and available bank and cash balances. Consequent to the pan-community streets violence starting from July 2019 and the Covid-19 pandemic since January 2020, the Group's retail business of both jewelry and pharmaceutical and health foods products were severely impacted. To fulfill the needs to repay certain borrowings and convertible bonds due, the Company announced on 30 July 2020 a proposed capital reorganisation and rights issue plan. Pursuant to the terms of the proposed capital reorganisation and rights issue plan, 20 existing issued shares shall be consolidated into 1 consolidated share and each consolidated share shall have the right to subscribe for 5 right shares at a price of HK\$0.17 per right share. The aforesaid rights issue is fully underwritten by an underwriting agent and the Group targets to raise approximately HK\$153.8 million to repay the debt due. The proposed plan has not yet approved by the shareholders of the Company 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 net debt, which includes bank and other borrowings, convertible bonds and accrued coupon interest (included in "other payables and accruals"), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on annual basis. 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 new share issues as well as the issue of new debt or the redemption of existing debt.

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2020 and 31 December 2019.

SIGNIFICANT INVESTMENT

As at 30 June 2020 and 31 December 2019, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2020.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's pledged bank deposits of approximately HK\$0.8 million (at 31.12.2019: HK\$8.5 million) were pledged as securities for bank guarantees provided by banks to certain suppliers and credit facilities provided by banks.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2020 (at 31 December 2019: nil).

FOREIGN EXCHANGE EXPOSURE

During the year, the Group's exposure to currency risk was limited to its pledged bank deposits and trade payables denominated in United States Dollars as majority of the Group's transactions, monetary assets and liabilities are denominated in Hong Kong Dollars, Renminbi and Singapore Dollars. 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 2020, the Group had 305 (at 31 December 2019: 360) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$18.0 million (six months ended 30 June 2019: HK\$29.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Discretionary 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 the employees as well as a share option scheme.

OUTLOOK

The world economy of 2020 will still amidst the COVID-19 pandemic and the tension between China and the United States. Nevertheless, PRC is the most successful nation in the world in terms of resisting the pandemic. It is generally expected that the economy of the PRC shall be the first nation to resume normal in the near future. In the coming months, the Company shall continue to put its focus on the PRC market by strengthening the network of its TFH operations and its newly started pearl retailing business.

Looking ahead, the Group expects the retailing environment will remain challenging, while the Group remains cautiously optimistic in the retail market in the medium and long-run. The Board and management of the Group will carefully monitor the operation of the Group's business under this unstable environment. To cope with the future challenge, the Group shall further strengthen its cost reduction program and explore opportunities to diversify both its business and customer focus so as to equip itself for the possible economic rebound in 2021.

EVENTS AFTER THE REPORTING PERIOD

On 3 July 2020, Mr. Tsao Yang (曹陽先生) as purchaser (the **"Purchaser"**), Jumbo Ever Limited, an indirect wholly-owned subsidiary of the Company, as vendor (the **"Vendor"**) and 廣州市東方紅保健品有限公司, an indirect wholly-owned subsidiary of the Company, as guarantor entered into the shares transfer agreement and the guarantee agreement (the **"Agreements"**), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued shares of 黑龍江金保華農業有限公司 (the **"Target Company"**) at a consideration of RMB8 million (equivalent to approximately HK\$8.8 million), subject to the terms and conditions of the Agreements. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

On 30 July 2020, the Board proposed to implement the proposed capital reorganisation of the issued share capital of the Company which comprises: (i) the proposed share consolidation (the **"Share Consolidation"**) of every twenty (20) existing issued shares of the Company of HK\$0.01 each (the **"Existing Shares"**) prior to the Share Consolidation into one (1) consolidated share of HK\$0.2 each (the **"Consolidated Share"**) immediately upon the Share Consolidation becoming effective; (ii) the proposed reduction of the issued share capital of the Company whereby: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the nominal value of all the then issued Consolidated Shares shall be reduced from HK\$0.20 each to HK\$0.01 each by canceling the paid-up capital of the Company to the extent of HK\$0.19 on each of the then Consolidated Shares in issue (the **"Capital Reduction"**); and (iii) the credit arising from the Capital Reduction, which amounted to approximately HK\$34,374,734.2 based on the number of the Existing Shares in issue as of the date hereof, be transferred to the account designated as the contributed surplus account of the Company within the meaning of the Companies Act for use by the Board in any manner permitted by Bermuda law and the Bye-laws of the Company the **"Capital Reorganisation"**.

Upon the Capital Reorganisation becoming effective, the Existing Shares are traded on the Stock Exchange in board lot of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 18,000 ordinary share(s) of HK\$0.01 each in the share capital of the Company (the **"Adjusted Share(s)"**).

On the same day, the Company and Emperor Securities Limited (the **"Underwriter"**) entered into an underwriting agreement (the **"Underwriting Agreement"**) in respect of the proposed, subject to, amongst others, the Capital Reorganisation becoming effective, issue by way of rights on the basis of five (5) new Adjusted Share(s) to be allotted and issued (the **"Right Share(s)"**) for every one (1) Adjusted Share in issue (the **"Rights Issue"**) and held on Thursday, 8 October 2020 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue at the subscription price of HK\$0.17 per Right Share on the terms and subject to the conditions in the Underwriting Agreement.

DIRECTORS' AND CHIEF EXECUTIVES' 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 during the six months ended 30 June 2020.

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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 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 30 June 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 ("CHIHIL") (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%
Platinum Century Limited ("Platinum Century") (Note 3)	Beneficial owner	–	300,000,000	8.29%
Ms. Tam Yuk Ching Jenny ("Ms. Tam") (Note 3)	Interest of controlled corporation	–	300,000,000	8.29%

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 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 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.
3. These Shares are held by Plantinum Century, which is beneficially owned as to 100% by Ms. Tam.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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 six months ended 30 June 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 30 June 2020
Other Participants	22 August 2017	1 September 2017–31 August 2027	0.34	254,000,000	-	(109,500,000)	144,500,000
Total				254,000,000	-	(109,500,000)	144,500,000

For the six months ended 30 June 2020, there were no share options granted, exercised or cancelled under the Scheme. 109,500,000 share options lapsed under the Scheme during the six months ended 30 June 2020 and 144,500,000 share options remained exercisable 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 six months ended 30 June 2020 or at any time during the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2020.

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 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 six months ended 30 June 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 six months ended 30 June 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, 14 August 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.