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LARRY JEWELRY INTERNATIONAL COMPANY LIMITED

俊文寶石國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8351)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 Stock Exchange. 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, 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.

This announcement, 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 (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 announcement 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 announcement misleading.

Due to the impact of the COVID-19 coronavirus outbreak, the audit process for the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 has been delayed and not been fully completed as of the date of this announcement, while in order to keep the shareholders of the Company (the “Shareholders”) and potential investors informed of the business operation and financial position of the Group, the board (the “Board”) of Directors decides to publish the unaudited annual results announcement of the Group for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018. The Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 following the completion of the audit process, which is expected to be on or before the end of April 2020.

The Board presents the unaudited consolidated annual results of the Group for the year ended 31 December 2019 together with the audited comparative figures for the last financial year as follows. The unaudited annual results have not been audited but have been reviewed by the audit committee of the Company (the “Audit Committee”):

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	294,468	384,647
Cost of sales		(233,173)	(290,943)
Gross profit		61,295	93,704
Other income	6	2,698	1,930
Other gains and losses	7	3,637	(9,887)
Impairment loss recognised in respect of intangible assets		–	(6,079)
Net loss on redemption of convertible bonds		–	(47)
Gain on fair value changes of convertible bonds		–	187,877
Gain on fair value changes of warrants		–	228,466
Selling and distribution expenses		(101,335)	(147,398)
Administrative expenses		(67,930)	(63,159)
Finance costs	8	(22,969)	(34,588)
(Loss)/profit before tax		(124,604)	250,819
Income tax (expenses)/credit	9	(1,505)	1,020
(Loss)/profit for the year	10	(126,109)	251,839
Other comprehensive income (expense) for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on financial liabilities designated at fair value through profit or loss attributable to change in credit risk		–	(290)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		228	(3,534)
Total comprehensive income (expense) for the year		(125,881)	248,015
(Loss)/earnings per share	12		
Basic (<i>HK cents</i>)		(3.49)	7.00
Diluted (<i>HK cents</i>)		N/A	1.44

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		99,486	54,271
Intangible assets		112,726	112,726
Deferred tax assets		42	1,653
Deposits		4,124	18,448
		216,378	187,098
Current assets			
Inventories	<i>13</i>	213,483	235,877
Trade receivables	<i>14</i>	14,942	7,562
Prepayments, deposits and other receivables		36,776	159,582
Pledged bank deposits		8,508	9,369
Bank balances and cash		28,203	32,776
		301,912	445,166
Current liabilities			
Trade payables	<i>15</i>	67,146	90,534
Other payables and accruals		66,620	68,342
Tax payable		331	898
Bank and other borrowings		10,000	40,000
Convertible bonds		204,909	209,729
Leased liabilities		42,368	–
		391,374	409,503
Net current (liabilities)/assets		(89,462)	35,663
Total assets less current liabilities		126,916	222,761
Non-current liabilities			
Deferred tax liabilities		19,384	18,380
Leased liabilities		29,032	–
		48,416	18,380
Net assets		78,500	204,381
Capital and reserves			
Share capital	<i>16</i>	36,184	36,184
Share premium and reserves		42,316	168,197
		78,500	204,381

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital contribution reserve HK\$'000 Note (i)	Merger reserve HK\$'000 Note (ii)	Contributed surplus HK\$'000 Note (iii)	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	36,184	459,638	3,988	(830)	629,505	(2,582)	58,697	(10,163)	(970,056)	204,381
Loss for the year	-	-	-	-	-	-	-	-	(126,109)	(126,109)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	228	-	228
At 31 December 2019	<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>
At 1 January 2018, as previously stated	33,784	354,608	3,988	(830)	629,505	-	58,697	(6,629)	(1,224,187)	(151,064)
Effect of change in accounting policies	-	-	-	-	-	(2,292)	-	-	2,292	-
At 1 January 2018, as restated	33,784	354,608	3,988	(830)	629,505	(2,292)	58,697	(6,629)	(1,221,895)	(151,064)
Profit for the year	-	-	-	-	-	-	-	-	251,839	251,839
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	-	-	-	-	-	(290)	-	-	-	(290)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(3,534)	-	(3,534)
Total comprehensive (expense)/ income for the year	-	-	-	-	-	(290)	-	(3,534)	251,839	248,015
Issue of shares upon conversion of convertible bond	2,400	105,030	-	-	-	-	-	-	-	107,430
At 31 December 2018	<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>

Notes:

- (i) The capital contribution reserve represents the amount arising from a bonus issue of shares of the Company by way of capitalising the Company's retained profits and deemed capital contribution from a substantial shareholder.
- (ii) The merger reserve mainly represents the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join Limited ("Full Join") and (b) by Full Join and the share capital of Larry Jewelry Development Limited acquired through the shares swap pursuant to the reorganisation.
- (iii) The contributed surplus represents credit arising from cancellation of share capital and share capital premium pursuant to the capital reorganisation, details of which are set out in note 31(i) of the consolidated financial statements for the year ended 31 December 2017.

NOTES:

1. GENERAL

Larry Jewelry International Company Limited (“Larry Jewelry”) (the “Company”) is a public limited company incorporated in Bermuda and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs (“pharmaceutical and health food products”).

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The Group incurred a loss of approximately HK\$126,109,000 for the year ended 31 December 2019.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that the financial support of the substantial shareholder, at a level sufficient to finance the working capital requirements of the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

4. REVENUE

Revenue represents revenue arising on retailing of jewelry products and sales of pharmaceutical and health food products for the year. An analysis of the Group's revenue for the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Retailing of jewelry products	98,622	120,441
Sales of pharmaceutical and health food products	195,846	264,206
	294,468	384,647

5. SEGMENT INFORMATION

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

The Group is engaged in retailing of jewelry products under the brand name of Larry Jewelry and sales of pharmaceutical and health food products under the brand name of Tung Fong Hung ("東方紅"). The Group's operations are currently organised into five operating and reportable segments.

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

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

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

Year ended 31 December 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	Total HK\$'000
REVENUE						
External sales and segment revenue	<u>20,025</u>	<u>78,597</u>	<u>119,131</u>	<u>22,353</u>	<u>54,362</u>	<u>294,468</u>
RESULTS						
Segment loss	<u>(56,375)</u>	<u>(4,970)</u>	<u>(33,965)</u>	<u>(671)</u>	<u>(1,982)</u>	<u>(97,963)</u>
Unallocated corporate expenses						(3,672)
Finance costs						<u>(22,969)</u>
Loss before tax						<u><u>(124,604)</u></u>

Year ended 31 December 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	Total HK\$'000
REVENUE						
External sales and segment revenue	<u>14,210</u>	<u>106,231</u>	<u>170,804</u>	<u>33,262</u>	<u>60,140</u>	<u>384,647</u>
RESULTS						
Segment (loss)/profit excluding impairment loss recognised in respect of goodwill, intangible assets and property, plant and equipment	(26,096)	3,981	(78,313)	1,671	(5,369)	(104,126)
Impairment loss recognised in respect of intangible assets	(2,278)	(3,801)	-	-	-	(6,079)
Impairment loss recognised in respect of property, plant and equipment	<u>(1,490)</u>	<u>-</u>	<u>(2,632)</u>	<u>-</u>	<u>-</u>	<u>(4,122)</u>
Segment (loss)/profit	<u>(29,864)</u>	<u>180</u>	<u>(80,945)</u>	<u>1,671</u>	<u>(5,369)</u>	<u>(114,327)</u>
Unallocated other income						53
Unallocated corporate expenses						(16,615)
Loss on redemption of convertible bonds						(47)
Gain on fair value changes of convertible bonds						187,877
Gain on fair value changes of warrants						228,466
Finance costs						<u>(34,588)</u>
Profit before tax						<u><u>250,819</u></u>

Segment loss represents the loss from each segment without allocation of unallocated other income (which mainly includes bank interest income of head office), unallocated corporate expenses (which mainly include central administration costs, auditor's remuneration, directors' emoluments, equity-settled share-based payment expenses, legal and professional fee, exchange loss and operating expenses of inactive companies), loss on redemption of convertible bonds, gain/(loss) on fair value changes of convertible bonds, gain/(loss) on fair value changes of warrants and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Year ended 31 December 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	Total HK\$'000
Segment assets	49,541	125,660	154,146	14,069	77,672	421,088
Bank balances and cash						7,106
Unallocated assets						90,096
Consolidated assets						<u>518,290</u>
Segment liabilities	<u>43,508</u>	<u>29,670</u>	<u>94,680</u>	<u>6,538</u>	<u>58,149</u>	<u>232,545</u>
Unallocated liabilities						<u>207,245</u>
Consolidated liabilities						<u>439,790</u>

Year ended 31 December 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	Total HK\$'000
Segment assets	36,466	98,946	228,048	31,204	59,835	454,499
Bank balances and cash						33,108
Unallocated assets						144,657
Consolidated assets						<u>632,264</u>
Segment liabilities	<u>14,496</u>	<u>11,598</u>	<u>140,890</u>	<u>3,712</u>	<u>26,684</u>	<u>197,380</u>
Unallocated liabilities						<u>230,503</u>
Consolidated liabilities						<u>427,883</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain deposits and prepayments, deferred tax assets as well as assets of the headquarters and certain bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than certain accruals, tax payable, deferred tax liabilities, bank and other borrowings, convertible bonds, bonds, warrants as well as other payables of the headquarters. Certain bank and other borrowings is classified as unallocated corporate liability because it is managed centrally by the treasury function of the Group.

Geographic information

The Group's operations are located in Hong Kong, Singapore, Macau and the PRC.

Information about the Group's revenue from external customers is presented based on the location of operations.

Information about the Group's non-current assets is presented based on the geographical location of assets.

	Revenue from external customers		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Note)</i>	2018 <i>HK\$'000</i> <i>(Note)</i>
Hong Kong	139,156	185,014	164,149	133,128
Singapore	78,596	106,231	23,529	8,896
Macau	22,354	33,262	1,064	18,323
The PRC	54,362	60,140	23,470	6,650
	<u>294,468</u>	<u>384,647</u>	<u>212,212</u>	<u>166,997</u>

Note: Non-current assets excluded deferred tax assets and deposits as at 31 December 2019 and 2018.

6. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income	65	53
Sundry income	2,633	1,877
	<u>2,698</u>	<u>1,930</u>

7. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment loss recognised in respect of property, plant and equipment	–	4,122
Gain on disposal of property, plant and equipment	(3,637)	(207)
Net exchange gain	–	238
Impairment loss recognised in respect of prepayments	–	5,734
	<u>(3,637)</u>	<u>9,887</u>

8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank and other borrowings	5,423	4,345
Effective interest expense on bonds	17,546	30,243
	<u>22,969</u>	<u>34,588</u>

9. INCOME TAX EXPENSES/(CREDIT)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	992	–
Macau Complementary Tax	513	570
	<u>1,505</u>	<u>570</u>
Under(over)provision in prior years:		
Singapore Corporate Income Tax	–	(40)
Macau Complementary Tax	–	(294)
	<u>–</u>	<u>(334)</u>
Deferred tax — current year	<u>–</u>	<u>(1,256)</u>
	<u>1,505</u>	<u>(1,020)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for both years.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both years.

Under the Enterprise Income Tax Law (the “EIT Law”) of the PRC and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% for both years.

10. (LOSS)/PROFIT FOR THE YEAR

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/profit for the year has been arrived at after charging:		
Directors' emoluments, including retirement benefits scheme contributions	1,441	1,739
Other staff costs	55,678	64,424
Contribution to retirement benefits scheme, excluding directors	5,811	6,849
	<u>62,930</u>	<u>73,012</u>
Total staff costs		
	<u>62,930</u>	<u>73,012</u>
Depreciation of property, plant and equipment	68,860	19,313
Gain on disposal of property, plant and equipment	(3,637)	(207)
Auditors' remuneration	4,152	2,200
Cost of inventories recognised as expense	233,173	290,943
Operating lease payments in respect of rented premises		
— minimum lease payments	4,686	62,535
— contingent rentals	–	4,487
Provision for onerous contracts (included in “selling and distribution expenses”)	–	26,960
	<u>–</u>	<u>26,960</u>

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods.

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic earnings per share	(126,109)	251,839
Gain on fair value changes of convertible bonds	–	(187,830)
	<u>–</u>	<u>(187,830)</u>
(Loss)/earnings for the purpose of calculating diluted earnings per share	<u>(126,109)</u>	<u>64,009</u>
	<u>(126,109)</u>	<u>64,009</u>
Number of shares		
Issue ordinary shares at 1 January	3,618,393	3,378,393
Effect of conversion of convertible loans	–	220,493
	<u>–</u>	<u>220,493</u>
Weighted average number of ordinary shares for the purpose of calculation basic earnings per share	3,618,393	3,598,886
Effect of dilutive potential ordinary shares arising from convertible loans outstanding	–	851,124
	<u>–</u>	<u>851,124</u>
	<u>3,618,393</u>	<u>4,450,010</u>

13. INVENTORIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Jewelry products	94,359	109,079
Pharmaceutical and health food products	119,124	126,798
	213,483	235,877

14. TRADE RECEIVABLES

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within 7 to 14 days. Receivables from retail sales relate to sales campaigns jointly organised with shopping malls, which are collected from the respective shopping malls within 30 to 90 days.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
1–30 days	14,296	6,689
31–60 days	4	288
61–90 days	8	44
91–180 days	–	243
181–365 days	–	245
Over 365 days	634	53
	14,942	7,562

15. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	26,481	15,101
31–60 days	1,125	8,572
61–90 days	53	4,575
91–180 days	122	32,149
181–365 days	1,179	29,684
Over 365 days	38,186	453
	67,146	90,534

16. 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, 1 January 2019 and 31 December 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 bond	<u>240,000,000</u>	<u>2,400</u>
At 31 December 2018, 1 January 2019 and 31 December 2019	<u>3,618,393,070</u>	<u>36,184</u>

Capital risk management

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 stakeholders 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, bonds and warrants 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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (the “Year”) (2018: Nil).

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 and health food products.

Jewelry

The jewelry segment focuses on design and sales 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 2019, and the jewelry segment recorded a drop in revenue of about 18.1% for the Year as compared to 2018. Hong Kong is still facing weak momentum in retail industry. 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 and health food products

TFH and its subsidiaries are 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” (“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 types of traditional Chinese medicine (“TCM”) under the Chinese Medicine Ordinance. As at 31 December 2019, TFH has 11 retail shops in Hong Kong, 2 retail shops in Macau and 36 retail outlets in the Mainland China. A new retail shop was opened in a high-end shopping mall in Tseung Kwan O in mid-2019. 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 own 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 as a whole.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK\$294,468,000 compared to approximately HK\$384,647,000 for the last financial year, representing a decrease of about 23.4%, which was mainly attributed to decrease in revenue of TFH of approximately HK\$68,360,000 and approximately HK\$21,819,000 decrease in revenue in jewelry segment.

Gross Profit

The Group's gross profit for the Year decreased by about 34.6% to approximately HK\$61,295,000 compared to approximately HK\$93,704,000 for the last financial year. The Group's gross profit margin was approximately 20.8% compared to approximately 24.4% for the last financial year.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year decreased by about 31.3% to approximately HK\$101,335,000 compared to approximately HK\$147,398,000 for the last financial year.

Administrative Expenses

The Group's administrative expenses for the Year increased by about 7.6% to approximately HK\$67,930,000 compared to approximately HK\$63,159,000 for the last financial year.

Finance Costs

The Group recorded finance cost of approximately HK\$22,969,000 (2018: HK\$34,588,000) for the Year, which was due to decrease in interest on bank and other borrowings and effective interest on bonds during the Year.

(Loss)/profit Attributable to Owners of the Company

The loss attributable to owners of the Company was approximately HK\$126,109,000 for the Year compared to a profit of approximately HK\$251,839,000 for the last financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK\$35,303,000 (2018: HK\$39,876,000) and pledged bank deposits of approximately HK\$8,508,000 (2018: HK\$9,369,000). As at 31 December 2019 and 2018, the Group had bank and other borrowing and convertible bonds amounted to approximately HK\$10,000,000 (2018: HK\$40,000,000) and HK\$204,909,000 (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 274% (2018: 122%).

As at 31 December 2019, the Group had net current liabilities of approximately HK\$89,462,000 (2018: net current assets of HK\$35,663,000). The current ratio of the Group as at 31 December 2019 was approximately 0.8 (2018: 1.1).

The Group financed its operations principally by revenue generated from business operations and available bank and cash balances. Management considers the financial position of the Group is healthy with adequate working capital for daily operations.

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 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

As at 31 December 2019, there was no capital commitments in respect of acquisition of plant and machinery contracted for but not provided in the unaudited consolidated financial statements (2018: nil).

SIGNIFICANT INVESTMENT

As at 31 December 2019 and 2018, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisitions nor disposals of subsidiaries or affiliated companies during the Year and the year ended 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's pledged bank deposits of approximately HK\$8,508,000 (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

As at 31 December 2019 and 2018, the Group had no significant contingent liabilities.

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.

OUTLOOK

The Group has established a significance presence for the "Larry Jewelry" and "Tung Fong Hung" brand. However, due to the outbreak of the COVID-19, the overall business environment is deteriorating. Experts advised that the epidemic shall last until September 2020. During this hard time, the Group shall cautiously monitor the structure of its retail network during the pandemic, refine its human resource plan and conduct further funds raising programming so as to ensure a financial healthy business structure to cope with the expected recovery of the tourism and retail market during the last quarter of the Year.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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 Year.

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 Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the 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 "Code"). The Company had made specific enquiry of the Directors and all the Directors confirmed that they had complied with the required standard set out in the Code during the Year.

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 throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The unaudited consolidated financial statements of the Group for the Year and this announcement have been reviewed by the Audit Committee, which was of the opinion that the unaudited consolidated financial statements and the announcement had been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

FURTHER ANNOUNCEMENT(S)

Upon completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the Year and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the audit process. The Company expects the audit process will be completed on or before the end of April 2020.

PUBLICATION OF ANNUAL REPORTS

This unaudited annual results announcement is published on the websites of the GEM and the Company. The annual report of the Company for the Year containing all the information as required by the GEM Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the website of GEM (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at www.larryjewelryinternational.com.