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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2018

Reference is made to the announcement of Larry Jewelry International Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2019 in relation to the final results of the Group for the year ended 31 December 2018 (the “**2018 Annual Results Announcement**”) and the annual report of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2018 Annual Results Announcement and the 2018 Annual Report.

AUDIT QUALIFICATIONS

With regards to the section headed “INDEPENDENT AUDITOR’S REPORT — BASIS FOR QUALIFIED OPINION” on page 31 of the 2018 Annual Report. The Board would like to provide further information in relation to the following audit qualifications:

MANAGEMENT’S VIEW ON THE AUDIT QUALIFICATIONS

Opening balances and corresponding figures (“Audit Qualification A”)

With regards to the opening balance of property, plant and equipment (“**PPE**”) of approximately HK\$5.2 million, it is related to a Plant Refurbishment Agreement signed with an independent third party on 13 June 2017. The Plant Refurbishment Agreement has been completed in 2018. The auditors have requested for the details of the plant refurbishment works, duly signed contract, invoice and physical inspection as audit evidence. However, as the balance is related to 2017, the Company required more time to gather the documents to provide to the auditors. Up to the date of the auditors’ report, the auditors were not able to obtain sufficient satisfactory audit evidence, and thus cannot satisfy themselves on the nature and existence of the opening balance and its related depreciation of approximately HK\$2.6 million. In view of the above, the management consequently impaired the carrying value of the PPE (i.e. approximately HK\$2.6 million).

With regards to the opening balance of prepayment of approximately HK\$5.7 million, it is related to prepayment for the purchase of dried seafood and health products for the Company's principal business. The auditors have requested for the invoices, delivery notes and physical inspection as audit evidence. However, as the balance is related to 2017, the Company required time to gather the documents to provide to the auditors. As such, the auditors cannot obtain sufficient audit evidence to perform sufficient and appropriate audit procedures to verify the opening balance of approximately HK\$5.7 million in order to satisfy themselves on the nature and existence, including, physical inspection and inventories reconciliation. Thus, the management consequently impaired the balance of the prepayments of approximately HK\$5.7 million.

As at the date of this announcement, the duly signed contract, delivery notes and invoices are available and the amounts agreed to the opening balances. Therefore, the Company does not expect any issue on nature and existence of these two balances.

Prepayments, deposits and other receivables (“Audit Qualification B”)

With regards to the other receivables of approximately HK\$137,559,000, the breakdown of the balance are as follows:

	Amount in contracts HK\$'000	Business Segment
Contract (i)	20,000	Sales of pharmaceutical and health food products
Contract (ii)	28,000	Sales of pharmaceutical and health food products
Contract (iii)	29,559	Sales of pharmaceutical and health food products
Contract (iv)	<u>60,000</u>	Retail of jewelry
Total	<u><u>137,559</u></u>	

Contract (i)

It is related to an amount paid pursuant to a Supplier Contract signed with an independent third party on 29 May 2018 for the purchase of dried seafood for a term of two years. The auditors have requested to provide the duly signed contract to the auditors as audit evidence and arranged interview with the supplier and inventories count. The Company has provided the duly signed contract to the auditors as audit evidence. Up to the date of the auditors' report, the auditors were not able to obtain sufficient audit evidence perform sufficient and appropriate audit procedures to satisfy themselves on the nature, existence and recoverability of this balance.

The Company does not expect any recoverability issue since the supplier contract is ongoing and expiring in 2020 and the dried seafood will be supplied by supplier before expiry of the contract.

Contract (ii)

It is related to an amount paid pursuant to a Corporate Image Rebuilding Consulting Agreement signed with an independent third party on 28 March 2018 in relation to rebranding of the business of pharmaceutical and health food products. The auditors have requested for the duly signed contract and invoice as audit evidence and arranged interview with the consultant. The Company has provided the duly signed contract requested by the auditors. Up to the date of the auditors report, the auditors were not able to obtain sufficient audit evidence to perform sufficient and appropriate audit procedures, such as interview with the consultant, to satisfy themselves on the nature, existence and recoverability of this balance.

The Company does not expect any recoverability issue on this balance since the consultancy services will be rendered according to the contract and still in progress.

Contract (iii)

It is related to an amount paid pursuant to a Factory Refurbishment Agreement signed with an independent third party on 18 March 2018. The Factory Refurbishment Agreement has been completed in 2019. The contract is valued at RMB25,389,890 (equivalent to approximately HK\$29,559,000). The auditors have requested to provide the duly signed contract, certificate of completion and physical inspection. As requested by the auditors, the Company has provided the duly signed contract and certificate of completion to the auditors as audit evidence. Up to the date of the auditors' report, the auditors were unable to obtain sufficient audit evidence to satisfy themselves on the nature, existence and recoverability of this balance.

Contract (iv)

The Company is exploring business opportunities through introduction of new products (i.e. jade) for the retail of jewelry business. The amount is related to an amount paid pursuant to a Jade Supplier Contract signed with an independent third party on 31 August 2018 for a term of two years. The contract is valued at approximately HK\$60,000,000. The auditors have requested for (a) the duly signed contract, invoice and jade certificates; (b) interviews with the supplier; (c) physical inspection; and (d) valuation report to be performed by an independent expert. The Company has provided the duly signed contract and jade certificates to the auditors as audit evidence. Up to the date of the auditors' report, the auditors were not able to obtain sufficient evidence to perform sufficient and appropriate audit procedures, they were unable to satisfy themselves on the nature, existence and recoverability of this balance.

Given the trading of jade is one of the business segments of the Company (i.e. retail of jewelry) and the contract is still in force as at 31 December 2018, the Company does not expect any recoverability issue.

Other borrowings and bonds (“Audit Qualification C”)

With regards to the borrowings of HK\$30 million, the Company has provided the duly signed loan agreement dated 17 April 2018 to the auditors as audit evidence as requested by the auditors. The auditors have not yet received the confirmation from the borrower up to the date of the auditors’ report (i.e. 31 March 2019) and were not able to perform other audit procedures to satisfy themselves on the existence of the borrowings.

With regards to the bonds of HK\$30 million, as requested by the auditors, the Company has provided (i) the duly signed agreement in 2017; (ii) the signed confirmation by the Company for circulation purpose; and (iii) part of the settlement record to the auditors as audit evidence. The auditors have not yet received the confirmation up to the date of the auditors’ report (i.e. 31 March 2019) and was not able to perform audit procedures other than direct confirmation to satisfy themselves on the completeness of the bonds.

Given the abovementioned documents are available to the auditors, the Company does not expect any existence and completeness issue on these two balances.

Management view

As described above, the Management is of the view that certain documents requested by the auditors have been provided, although by various batches within March 2019, as audit evidence and the remaining requested items are available as at the date of this announcement. Therefore, the Management is of the view that the issues qualified by the auditors can be resolved; however, given that the auditors were appointed on 4 March 2019, they considered that the auditors have limitations in obtaining sufficient satisfactory audit evidence to satisfied themselves as described under section “basis for qualified opinion” in the auditors’ report on or before 31 March 2019.

AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATIONS

A meeting was held between all members of the Audit Committee, Executive Directors and the auditors to discuss the details and reasons of arriving at the qualified opinion on 31 March 2019 (the “**Audit Committee Meeting**”).

Prior to the Audit Committee Meeting, the Management had provided the documents as requested by the auditors except for certain items relating to Audit Qualification A, B and confirmations from third parties in relation to Audit Qualification C. During the Audit Committee Meeting, they have discussed the qualification basis in respect of the Audit Qualification A to C. The Audit Committee noted that the auditors were appointed on 4 March 2019, the auditors have limitations in obtaining sufficient satisfactory audit evidence on or before 31 March 2019 and consequently, the basis for such qualified opinion.

As at the date of this announcement, the Audit Committee noted the Management’s view on the Audit Qualification and concur with the management’s view that the Company can remove the audit qualification for the financial year ended 31 December 2019.

Going forward, the Company will liaise with auditors on planning for audit or review work ahead, and timely prepare and provide the requested accounting breakdown and supporting documents to the auditors. The Company will use its best endeavour to assist the auditors to complete its audit procedures on time.

Save as stated above, all information in the 2018 Annual Results Announcement and the 2018 Annual Report remains unchanged.

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

Hong Kong, 24 May 2019

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

This announcement, for which the directors of 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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 Announcements” 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.