

LJ INTERNATIONAL INC

Form F-1/A

December 27, 2002

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As filed with the Securities and Exchange Commission on December 27, 2002

Registration No. 333-90016

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**AMENDMENT NO. 3 TO
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

LJ INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

British Virgin Islands
(State or other jurisdiction
of incorporation or organization)

3911
(Primary Standard Industrial
Classification Code No.)

Not Applicable
(I.R.S. Employer
Identification Number)

**Unit #12, 12/F, Block A
Focal Industrial Centre
21 Man Lok Street
Hung Hom, Kowloon, Hong Kong
011-852-2764-3622**

(Address, including zip code, and telephone number, including area code,
of Registrant's principal executive offices)

**Andrew N. Bernstein, P.C.
5445 DTC Parkway, Suite 520
Greenwood Village, Colorado 80111
(303) 770-7131**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to:

**Andrew N. Bernstein, Esq.
Andrew N. Bernstein, P.C.
5445 DTC Parkway, Suite 520
Greenwood Village, Colorado 80111
Telephone: 303-770-7131
Facsimile: 303-770-7332**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock	up to 8,000,000	(2)	\$ 10,000,000(3)	\$ 920
Common Stock issuable upon exercise of underlying Navigator Warrants	150,000	\$ 1.7892	\$ 268,380	\$ 25
Total Fee			\$ 10,268,380	\$ 945(4)

(footnotes on next page)

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- (1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the Securities Act).
- (2) The price per share will vary based on the volume weighted average daily price of our common stock at the time of a draw down. The purchase price will be equal to 90% of the daily volume weighted average price of our common stock on the applicable date, as described in greater detail in the description of the common stock purchase agreement. The agreement allows for an unlimited number of draws over a period of 24 months for amounts up to 20% of the volume weighted average price multiplied by the average daily trading volume multiplied by the number of trading days in the applicable draw down period, per draw. The draw down period will be either 5, 10, 15 or 20 consecutive trading days, at our option.
- (3) This represents the maximum purchase price that Navigator Investments Holding IX Limited is obligated to pay us under the common stock purchase agreement. The maximum proceeds we can receive is \$10,000,000 less \$1,500 in escrow fees and expenses per draw down.
- (4) No additional fees are payable since the Registrant paid a registration fee of \$970 upon the initial filing.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

LJ INTERNATIONAL INC.
8,150,000 Shares of Common Stock

This prospectus relates to the resale by Navigator Investments Holding IX Limited, a Nevis corporation, of up to 8,000,000 shares of our common stock that may be issued through a common stock purchase agreement between us and Navigator, as further described in this prospectus. See **Common Stock Purchase Agreement** beginning on page 78. This prospectus also relates to the resale of 150,000 shares of our common stock underlying 150,000 warrants issued to Navigator in connection with the common stock purchase agreement.

Navigator is an **underwriter** within the meaning of the Securities Act of 1933 in connection with its sales.

Our common stock is listed on The Nasdaq National Market under the symbol **JADE**. The last reported sales price for our common stock on The Nasdaq National Market on November 18, 2002 was \$1.30 per share.

The Securities Offered Hereby Involve a High Degree of Risk.
See Risk Factors Beginning on Page 10.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2002.

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INSIDE FRONT COVER

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , 2003 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the more detailed information regarding our company, the risks of purchasing our common stock discussed under Risk Factors, and our financial statements and the accompanying notes.

The Company

We are a totally vertically integrated producer of finished semi-precious gemstones and fine quality gemstone jewelry. We cut and polish semi-precious gemstones and design, manufacture, market and distribute gem set jewelry to fine jewelers, department stores, national jewelry chains and electronic and specialty retailers throughout North America and Western Europe. Our product line includes all major categories that are sought by major retailers, including earrings, necklaces, pendants, rings and bracelets. Our jewelry is crafted in gold, platinum and sterling silver and is set with semi-precious and precious stones, including diamonds.

We believe that our vertically integrated structure provides significant advantages over our competitors. All profits from value added processes are captured internally, rather than shared with third party manufacturers. This results in very competitive pricing for the retailer and enhanced profits for us. Innovative processes in stone cutting and manufacturing further enhance our competitive position.

Our principal executive offices are located at Unit #12, 12/F, Block A, Focal Industrial Centre, 21 Man Lok Street, Hung Hom, Kowloon, Hong Kong, telephone 011 (852) 2764-3622.

Common Stock Purchase Agreement Relating to Equity Line

Effective April 15, 2002, we entered into a common stock purchase agreement with Navigator for the potential future issuance and sale of up to \$10,000,000 of our common stock. Subject to restrictions, limitations and other obligations that are described in the common stock purchase agreement and throughout this prospectus, over a period of 24 months, we, at our sole discretion and from time to time, may draw down on this facility, sometimes termed an equity line, and Navigator is obligated to purchase shares of our common stock. Each purchase of shares under the common stock purchase agreement is referred to as a draw down. The purchase price of the common stock purchased as to any draw down will be equal to 90% of the daily volume weighted average price of our common stock on the applicable date (the Purchase Price Percentage).

We may make an unlimited number of draw down requests over a 24-month period, pursuant to which Navigator is obligated to purchase up to an aggregate of \$10 million of our

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common stock. The purchase price with respect to each draw down will reflect a 10% discount to the market price of our common stock over a period of days preceding each draw down request. In addition, as a commitment fee, we have issued to Navigator a warrant to purchase 150,000 shares of our common stock exercisable through April 14, 2005 at an exercise price equal to \$1.7892.

In general, if we elect to draw down on the equity facility, the maximum amount we can draw down at any one time is 20% of the volume weighted average price of our common stock multiplied by the average daily trading volume multiplied by the number of trading days in the applicable draw down period. The draw down period will be either 5, 10, 15 or 20 consecutive trading days, at our option.

The total number of shares that may be issued under the facility will depend on a number of factors, including the market price and trading volume of our common stock during each draw down period. The proceeds we receive from each draw down will also be reduced by a \$1,500 escrow fee. If, on any day during the draw down pricing period, the average volume weighted price of our common stock drops below the minimum threshold price that we specify in the draw down request, that day will be excluded from the relevant settlement and the aggregate amount of our draw down request will be reduced accordingly.

For more details on the structure of the equity line and the limitations on our ability to use the equity line, see [Risk Factors](#) and [Common Stock Purchase Agreement](#) elsewhere in this prospectus.

The Offering

Securities offered by selling shareholder

8,150,000 shares of common stock, representing 8,000,000 shares issuable pursuant to the equity line and 150,000 shares issuable upon exercise of warrants owned by Navigator.

Use of Proceeds

All funds that we receive upon the sale of our shares to Navigator and upon the exercise, if any, of the warrants will be used for general corporate purposes.

Risk Factors

Please read the Risk Factors section of this prospectus since an investment in our common stock involves a high degree of risk and could result in a loss of your entire investment.

Nasdaq National Market symbol

JADE

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Advisers and Auditors

Legal Adviser

Andrew N. Bernstein, Esq.
Andrew N. Bernstein, P.C.
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Greenwood Village, Colorado 80111
Telephone: 303-770-7131

Auditors

Moores Rowland
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong
Telephone: 011-852-2909-5555
Member, Hong Kong Society of Accountants

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Summary Consolidated Financial Data
(Amounts in thousands, except per share amounts)

The following selected consolidated financial data with respect to each of the years in the five-year period ended April 30, 2002 have been derived from our audited consolidated financial statements. You should read the following selected consolidated financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes included elsewhere in this prospectus.

We prepare our consolidated financial statements in accordance with Hong Kong GAAP, which differs in certain material respects from US GAAP. For a discussion of the significant differences between Hong Kong GAAP and US GAAP, see Note 19 of Notes To And Forming Part Of The Financial Statements.

Consolidated Statements of Operations Data:

	Year ended April 30,					
	1998 HK\$	1999 HK\$	2000 HK\$	2001 HK\$	2002 HK\$	2002 US\$
Amount in accordance with Hong Kong GAAP						
Operating revenues	124,199	195,219	300,901	357,785	303,326	39,240
Operating income (loss)	31,540	39,723	38,725	36,472	(57,868)	(7,487)
Interest expense, net	(6,964)	(5,186)	(2,980)	(2,781)	(3,364)	(435)
Income (loss) before income taxes	24,576	34,537	35,745	33,691	(61,232)	(7,922)
Income taxes (charge) credit	(2,120)	(380)	(25)	(1,637)	784	101
Net income (loss)	22,456	34,157	35,720	32,054	(60,448)	(7,821)
Dividends per share						
Numerator:						
Net income (loss) used in computing basic earnings (loss) per share	22,456	34,157	35,720	32,054	(60,448)	(7,821)
Interest on 3% convertible debentures			251	127		
Adjusted net income (loss) used in computing diluted earnings (loss) per share	22,456	34,157	35,971	32,181	(60,448)	(7,821)

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	Year ended April 30,					
	1998 HK\$	1999 HK\$	2000 HK\$	2001 HK\$	2002 HK\$	2002 US\$
Denominator:						
Weighted average number of shares outstanding basic (thousands)	4,539	6,347	6,589	8,567	8,672	8,672
Effect of dilutive potential ordinary shares:						
3% convertible debentures			337	49		
Warrants	5		7			
Options		1		6		
Weighted average number of shares outstanding diluted (thousands)	4,544	6,348	6,933	8,622	8,672	8,672
Earnings (loss) per share basic	4.95	5.38	5.42	3.74	(6.97)	(0.90)
Earnings per share diluted	4.94	5.38	5.19	3.73	(N/A)	(N/A)

	Year ended April 30,					
	1998 HK\$	1999 HK\$	2000 HK\$	2001 HK\$	2002 HK\$	2002 US\$
		(Restated)	(Restated)	(Restated)		
Amount in accordance with US GAAP						
Operating revenues	124,199	195,219	300,901	357,785	303,326	39,240
Operating income (loss) before income taxes (as restated for 1999, 2000 and 2001 - see Note)	14,325	32,347	29,698	25,868	(61,853)	(8,002)
Net income (loss) per US GAAP (as restated for 1999, 2000 and 2001 - see Note)	12,205	31,967	29,673	24,231	(61,069)	(7,901)
Dividends per share						
Numerator:						
Net income (loss) used in computing basic earnings (loss) per share (as restated for 1999, 2000 and 2001 - see Note)	12,205	31,967	29,673	24,231	(61,069)	(7,901)
Interest on 3% convertible debentures			251	127		

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	Year ended April 30,					
	1998 HK\$	1999 HK\$	2000 HK\$	2001 HK\$	2002 HK\$	2002 US\$
		(Restated)	(Restated)	(Restated)		
Adjusted net income (loss) used in computing diluted earnings (loss) per share (as restated for 1999, 2000 and 2001 - see Note)	12,205	31,967	29,924	24,358	(61,069)	(7,901)
Denominator:						
Weighted average number of shares outstanding under HK GAAP basic (thousands)	4,539	6,347	6,589	8,567	8,672	8,672
Shares for Deen Merger	62					
Weighted average number of shares outstanding under US GAAP basic (thousands)	4,601	6,347	6,589	8,567	8,672	8,672
Effect of dilutive potential ordinary shares:						
3% convertible debentures			337	49		
Warrants	5		18			
Options		1		1	107	107
Weighted average number of shares outstanding under US GAAP diluted (thousands)	4,606	6,348	6,944	8,617	8,779	8,779
Earnings (loss) per share basic (as restated for 1999, 2000 and 2001 - see Note)	2.65	5.04	4.50	2.83	(7.04)	(0.91)
Earnings (loss) per share diluted (as restated for 1999, 2000 and 2001 - see Note)	2.65	5.04				