
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the NJIL Offer, this Composite Document and/or the Form of Acceptance and Transfer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Noble Jewelry Investment Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s), or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the NJIL Offer contained herein.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this Composite Document and the Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form of Acceptance and Transfer.

FIRST PROSPECT HOLDINGS LIMITED **NOBLE JEWELRY INVESTMENT LIMITED**
(incorporated in the British Virgin Islands with limited liability) *(incorporated in Bermuda with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
UNCONDITIONAL VOLUNTARY CASH OFFER BY
INVESTEC CAPITAL ASIA LIMITED
ON BEHALF OF
FIRST PROSPECT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NOBLE JEWELRY INVESTMENT LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FIRST PROSPECT HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to First Prospect Holdings Limited



Joint Independent Financial Advisers to the Independent NJIL Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from the NJIL Board is set out on pages 5 to 8 of this Composite Document.

A letter from Investec containing, among other things, details of the terms of the NJIL Offer is set out on pages 9 to 14 of this Composite Document. A letter from the Joint Independent Financial Advisers containing their advice to the Independent NJIL Shareholders in respect of the NJIL Offer contained herein is set out on pages 15 to 27 of this Composite Document.

The procedures for acceptance and settlement of the NJIL Offer contained herein and other related information are set out on pages I-1 to I-5 in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the NJIL Offer contained herein should be received by the Transfer Agent (Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Monday, 19 December 2011 or such later time/or date as First Prospect may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

28 November 2011

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EXPECTED TIMETABLE

2011

NJIL Offer opens for acceptance	Monday, 28 November
Latest time and date for acceptance of the NJIL Offer	4:00 p.m. on Monday, 19 December
Closing date of the NJIL Offer (<i>Note 1</i>)	Monday, 19 December
Announcement of the results of the NJIL Offer posted on the Stock Exchange's website under Noble Jewelry, NJIL's website and the SFC's website (<i>Note 1</i>)	By 7:00 p.m. on Monday, 19 December
Announcement of the results of the NJIL Offer published in the newspapers	Tuesday, 20 December
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the NJIL Offer (<i>Note 2</i>)	Thursday, 29 December

Notes:

1. The NJIL Offer, which is unconditional, will close on 19 December 2011 unless First Prospect revises or extends the NJIL Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website under Noble Jewelry by 7:00 p.m. on 19 December 2011 stating whether or not the NJIL Offer has closed, been revised or extended, and (if and to the extent revised or extended) the next closing date or that the NJIL Offer will remain open until further notice. If First Prospect decides that the NJIL Offer will remain open until further notice, at least 14 days' notice in writing will be given before the NJIL Offer is closed to those Independent NJIL Shareholders who have not accepted the NJIL Offer.
2. Acceptance of the NJIL Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Remittances in respect of the cash consideration payable for the NJIL Shares tendered under the NJIL Offer will be posted to the accepting NJIL Shareholder(s) at his/her/its own risks as soon as possible but in any event within 10 days of the date of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer.

All time and date references contained in this Composite Document and the Form of Acceptance and Transfer refer to Hong Kong time and date.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this Composite Document and the Form of Acceptance and Transfer:

“acting in concert”	the meaning defined in the Takeovers Code
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular of Noble Jewelry dated 30 September 2011 in relation to, among other things, the transfer of shares in Noble Jewelry to Resources Rich, the Group Reorganisation, the Share Premium and Reserve Application (as defined therein), the Distribution In Specie of the NJIL Shares and the Special Deals (as defined therein)
“Closing Date”	19 December 2011, or if the NJIL Offer is extended, the closing date of the NJIL Offer as extended by First Prospect in accordance with the Takeovers Code
“Companies Act”	the Companies Act 1981 of Bermuda
“Composite Document”	this offer and response document relating to the NJIL Offer issued by First Prospect and NJIL in accordance with the Takeovers Code
“Distributed Businesses”	the business of design and manufacturing (in the PRC) for wholesale to various countries other than the PRC and retail of fine jewelry in the US and Spain carried out by the NJIL Group
“Distribution In Specie”	the distribution in specie of the NJIL Shares by Noble Jewelry to the Noble Jewelry Shareholders as described in the Circular, which took place on 21 November 2011
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“First Prospect”	First Prospect Holdings Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Chan
“Form of Acceptance and Transfer”	the accompanying Form of Acceptance and Transfer of the NJIL Shares
“Group Reorganisation”	the reorganisation of the Noble Jewelry Group, details of which are set out in the section headed “Group Reorganisation” in the Circular

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent NJIL Shareholders”	the NJIL Shareholders other than First Prospect and parties acting in concert with it
“Investec”	Investec Capital Asia Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to First Prospect
“Joint Independent Financial Advisers”	Messis Capital Limited and Veda Capital Limited, each of which is a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the joint independent financial advisers to the Independent NJIL Shareholders in relation to the NJIL Offer
“Latest Practicable Date”	25 November 2011, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information included in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yuen Hing, a NJIL Director and the sole director and sole shareholder of First Prospect
“NJIL”	Noble Jewelry Investment Limited, a company incorporated in Bermuda with limited liability
“NJIL Board”	the board of NJIL Directors
“NJIL Director(s)”	the director(s) of NJIL
“NJIL Group”	NJIL and its subsidiaries
“NJIL Offer”	the unconditional voluntary cash offer being made by Investec on behalf of First Prospect to acquire all the NJIL Shares (other than those already owned or agreed to be acquired by First Prospect and parties acting in concert with it)
“NJIL Shares”	ordinary share(s) of HK\$0.01 each in the capital of NJIL
“NJIL Shareholder(s)”	holder(s) of NJIL Shares

DEFINITIONS

“Noble Jewelry”	Noble Jewelry Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00475)
“Noble Jewelry Group”	Noble Jewelry and its subsidiaries (including the NJIL Group) immediately before completion of the Share Sale Agreement and the Distribution In Specie
“Noble Jewelry Shareholders”	holder(s) of the shares in Noble Jewelry
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Record Date”	28 October 2011, the record date to determine entitlements to the Distribution In Specie
“Relevant Period”	the period beginning six months prior to 9 September 2011 (being the date of commencement of the offer period for the NJIL Offer) and ending on and including the Latest Practicable Date
“Remaining Businesses”	the business of design, manufacturing and wholesale of fine jewelry products in the PRC carried out by the Remaining Group
“Remaining Group”	Noble Jewelry and its subsidiaries upon completion of the Group Reorganisation and the Distribution In Specie
“Resources Rich”	Resources Rich Capital Limited, a company incorporated in the BVI with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Sale Agreement”	the agreement dated 7 September 2011 entered into among First Prospect, Barton Company Limited, Ms. Chiu Nga Fong Marisa and Mr. Yau Siu Ying John as the vendors, Resources Rich and Mr. Chan in respect of the acquisition by Resources Rich of 197,142,000 shares in Noble Jewelry held by the vendors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Transfer Agent”	the transfer agent for the NJIL Shares, being Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

NOBLE JEWELRY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

Executive directors:

Chan Yuen Hing
Tang Chee Kwong

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business in Hong Kong:

Unit M, 12/F
Phase 3
Kaiser Estate
11 Hok Yuen Street
Hung Hom
Kowloon
Hong Kong

28 November 2011

To the Independent NJIL Shareholders

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY
INVESTEC CAPITAL ASIA LIMITED
ON BEHALF OF
FIRST PROSPECT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NOBLE JEWELRY INVESTMENT LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FIRST PROSPECT HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 8 September 2011, it was jointly announced by Noble Jewelry, First Prospect and Resources Rich that First Prospect, amongst others, had entered into the Share Sale Agreement pursuant to which First Prospect and other vendors under the Share Sale Agreement had conditionally agreed to sell their aggregate interests of 197,142,000 shares in Noble Jewelry to Resources Rich. The Share Sale Agreement was conditional upon, amongst other things, the completion of the Group Reorganisation, pursuant to which, the Noble Jewelry Group would, amongst other things, reorganise itself to form the Remaining Group (which is principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC (i.e. the Remaining Businesses)) and the NJIL Group which is

LETTER FROM THE NJIL BOARD

principally engaged in the design and manufacturing (in the PRC) of fine jewelry products for wholesale to various countries other than the PRC and retail of fine jewelry in the US and Spain (i.e. the Distributed Businesses).

It was also announced that upon completion of the share transfer under the Share Sale Agreement, Noble Jewelry would distribute all of its NJIL Shares in specie to the Noble Jewelry Shareholders whose names appeared on the register of members of Noble Jewelry on the Record Date for such distribution on the basis of one NJIL Share for each share in Noble Jewelry held. It was also announced that upon completion of the Distribution In Specie, Investec would, on behalf of First Prospect and pursuant to the Takeovers Code, make the NJIL Offer to the Independent NJIL Shareholders. The Distribution In Specie took place on 21 November 2011, by which the NJIL Shares were distributed to the Noble Jewelry Shareholders whose names appeared on the register of members of Noble Jewelry on 28 October 2011 on the basis of one NJIL Share for each share in Noble Jewelry then held.

This Composite Document provides you with, amongst other things, information on the NJIL Offer, the NJIL Group and the letter of advice from the Joint Independent Financial Advisers containing its advice to the Independent NJIL Shareholders in respect of the NJIL Offer.

THE NJIL OFFER

In its letter contained in this Composite Document, Investec, the financial adviser to First Prospect and on behalf of First Prospect, is making the NJIL Offer to the Independent NJIL Shareholders to acquire all the NJIL Shares held by the Independent NJIL Shareholders, which is unconditional in all respects and in compliance with the Takeovers Code on the following basis:

For each NJIL Share held HK\$0.50 in cash

As at the Latest Practicable Date, NJIL had 273,610,000 NJIL Shares in issue. As stated in the letter from Investec in this Composite Document, First Prospect and parties acting in concert with it were interested in an aggregate of 176,140,000 NJIL Shares, representing approximately 64.38% of the issued share capital of NJIL as at the Latest Practicable Date. Accordingly, a total of 97,470,000 NJIL Shares are subject to the NJIL Offer. The NJIL Shares to be acquired under the NJIL Offer must be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as at the date of the issue of the NJIL Shares, including all dividends and distributions declared, made or paid on or after the date of the issue of the NJIL Shares.

The offer price of HK\$0.50 per NJIL Share under the NJIL Offer represents a discount of approximately 31.5% to the unaudited pro forma net asset value per share of approximately HK\$0.73 per NJIL Share, calculated on the basis of the unaudited pro forma net asset value of the NJIL Group of approximately HK\$200.2 million as at 31

LETTER FROM THE NJIL BOARD

March 2011 as set out in Appendix II to this Composite Document and assuming that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011 and a total of 273,610,000 NJIL Shares were in issue as at 31 March 2011.

Save for the 273,610,000 NJIL Shares in issue as at the Latest Practicable Date, NJIL did not have in issue any other NJIL Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into NJIL Shares.

The NJIL Offer is unconditional in all respects. Under the terms of the NJIL Offer, acceptance of the NJIL Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent NJIL Shareholders accepting the NJIL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Further details of the NJIL Offer including, amongst others, the terms and conditions and the procedures for acceptance and settlement and further terms of the NJIL Offer are set out in the letter from Investec contained in and Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

INFORMATION ON NJIL

The NJIL Group is principally engaged in the Distributed Business, being the design and manufacturing (in the PRC) of fine jewelry products for wholesale to various countries other than the PRC and the retail of fine jewelry in the US and Spain.

Based on the unaudited pro forma combined statement of comprehensive income of the Remaining Privateco Group (i.e. the NJIL Group) as set out in Appendix II to this Composite Document, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, turnover of the NJIL Group for the year ended 31 March 2011 would have amounted to approximately HK\$585.3 million, and the loss and the total comprehensive loss of the NJIL Group for the year ended 31 March 2011 would have amounted to approximately HK\$10.1 million and approximately HK\$3.0 million respectively.

Based on the unaudited pro forma combined statement of financial position of the Remaining Privateco Group (i.e. the NJIL Group) as set out in Appendix II to this Composite Document, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, the net asset value of the NJIL Group as at 31 March 2011 would have been approximately HK\$200.2 million.

INTENTION OF FIRST PROSPECT REGARDING THE NJIL GROUP

Your attention is drawn to the letter from Investec in this Composite Document for the intention of First Prospect regarding the NJIL Group. The NJIL Board is of the view that First Prospect's plan in respect of the NJIL Group is in the best interest of NJIL and the NJIL Shareholders as a whole.

LETTER FROM THE NJIL BOARD

RECOMMENDATION

As the NJIL Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the NJIL Board can be formed to give recommendation to the Independent NJIL Shareholders in connection with the NJIL Offer. In these circumstances, the Joint Independent Financial Advisers have been appointed to advise the Independent NJIL Shareholders as to whether the terms of the NJIL Offer are fair and reasonable so far as the Independent NJIL Shareholders are concerned and whether the Independent NJIL Shareholders should accept the NJIL Offer.

Your attention is drawn to the letter from the Joint Independent Financial Advisers to the Independent NJIL Shareholders set out on pages 15 to 27 of this Composite Document which sets out their recommendation in relation to the NJIL Offer and the principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page ii of this Composite Document and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,
By order of the board of
Noble Jewelry Investment Limited
Chan Yuen Hing
Director



Investec Capital Asia Limited
Room 3609, 36/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

28 November 2011

To the Independent NJIL Shareholders

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY
INVESTEC CAPITAL ASIA LIMITED
ON BEHALF OF
FIRST PROSPECT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NOBLE JEWELRY INVESTMENT LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FIRST PROSPECT HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 8 September 2011, it was jointly announced by Noble Jewelry, First Prospect and Resources Rich that First Prospect, amongst others, had entered into the Share Sale Agreement pursuant to which First Prospect and other vendors under the Share Sale Agreement had conditionally agreed to sell their aggregate interests of 197,142,000 shares in Noble Jewelry to Resources Rich. The Share Sale Agreement was conditional upon, amongst other things, the completion of the Group Reorganisation, pursuant to which, the Noble Jewelry Group would, amongst other things, reorganise itself to form the Remaining Group and the NJIL Group.

It was also announced that upon completion of the Group Reorganisation and completion of the share transfer under the Share Sale Agreement, Noble Jewelry would distribute all of its NJIL Shares in specie to the Noble Jewelry Shareholders whose names appeared on the register of members of Noble Jewelry on the Record Date for such distribution and on the basis of one NJIL Share for each share in Noble Jewelry held as announced. It was also announced that upon completion of the Distribution In Specie, Investec would, on behalf of First Prospect and pursuant to the Takeovers Code, make the NJIL Offer to the Independent NJIL Shareholders. The Distribution In Specie took place on 21 November 2011.

LETTER FROM INVESTEC

This letter sets out, amongst other things, the terms of the NJIL Offer, information on First Prospect and the intentions of First Prospect regarding the NJIL Group. Further details of the terms of the NJIL Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer.

THE NJIL OFFER

On behalf of First Prospect, Investec, is making the NJIL Offer to the Independent NJIL Shareholders to acquire all the NJIL Shares held by the Independent NJIL Shareholders, which is unconditional in all respects and in compliance with the Takeovers Code on the following terms:

For each NJIL Share held HK\$0.50 in cash

Following the Distribution In Specie and as at the Latest Practicable Date, NJIL had 273,610,000 NJIL Shares in issue. As a result of the Distribution In Specie, First Prospect and parties acting in concert with it were interested in an aggregate of 176,140,000 NJIL Shares, representing approximately 64.38% of the issued share capital of NJIL as at the Latest Practicable Date. Accordingly, there are a total of 97,470,000 NJIL Shares (representing approximately 35.62% of the share capital of NJIL in issue) subject to the NJIL Offer. The NJIL Shares to be acquired under the NJIL Offer shall be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as at the date of the issue of the NJIL Shares, including all dividends and distributions declared, made or paid on or after the date of the issue of the NJIL Shares.

The offer price of HK\$0.50 per NJIL Share under the NJIL Offer represents a discount of approximately 31.5% to the unaudited pro forma net asset value per share of approximately HK\$0.73 per NJIL Share, calculated on the basis of the unaudited pro forma net asset value of the NJIL Group of approximately HK\$200.2 million as at 31 March 2011 as set out in Appendix II to this Composite Document and assuming that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011 and a total of 273,610,000 NJIL Shares were in issue as at 31 March 2011.

Save for the 273,610,000 NJIL Shares in issue as at the Latest Practicable Date, NJIL did not have in issue any other NJIL Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into NJIL Shares.

The NJIL Offer is unconditional in all respects. Under the terms of the NJIL Offer, acceptance of the NJIL Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent NJIL Shareholders accepting the NJIL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the NJIL Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

LETTER FROM INVESTEC

VALUE AND FINANCING OF THE NJIL OFFER

On the basis of the offer price of HK\$0.50 per NJIL Share, the entire existing issued share capital of NJIL of 273,610,000 NJIL Shares is valued at approximately HK\$136,805,000. There are 97,470,000 NJIL Shares subject to the NJIL Offer. Accordingly, the NJIL Offer is valued at approximately HK\$48,735,000 based on the offer price of HK\$0.50 per NJIL Share.

The NJIL Offer is financed by term deposits maintained by First Prospect at the Hang Seng Bank Limited. First Prospect does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) incurred by it in connection with the NJIL Offer will depend to any significant extent on the business of NJIL. Investec is satisfied that sufficient financial resources are available to First Prospect to meet acceptances in full of the NJIL Offer.

EFFECT OF ACCEPTING OR NOT ACCEPTING THE NJIL OFFER

By accepting the NJIL Offer, the Independent NJIL Shareholders will sell their NJIL Shares and all rights attached thereto to First Prospect free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date of the issue of those NJIL Shares.

The NJIL Offer provides a cash exit to the Independent NJIL Shareholders (at HK\$0.50 per NJIL Share) to realise all or part of their shareholdings in NJIL, which have no liquid market as there is no intention to list the NJIL Shares on any stock exchange. Moreover, the NJIL Shares may be subject to the compulsory acquisition provisions of the Companies Act 1981 of Bermuda (as may be amended from time to time) if the number of NJIL Shares acquired by First Prospect under the NJIL Offer (representing 90% of the NJIL Shares subject to the NJIL Offer and 75% in number of NJIL Shareholders accepting the NJIL Offer) gives rise to a right of compulsory acquisition under such provisions.

In addition, NJIL cannot assure the Independent NJIL Shareholders that it will make future dividends. The historical dividend payment of NJIL should not be taken as an indication of any future dividends and there can be no assurance that NJIL will declare dividends in the future. Any proposed dividends by the NJIL Directors are discretionary, will be subject to the recommendation of the NJIL Board and approval of the NJIL Shareholders in general meetings which will depend on various factors. No dividend may be paid, and no distribution may be made, out of contributed surplus, if to do so would render NJIL unable to pay its liabilities as they become due or the realised value of its assets would thereby become less than an aggregate of its liabilities and its issued share capital and share premium account.

The share certificates of NJIL will be posted by ordinary post at their own risk only to the NJIL Shareholders who do not accept the NJIL Offer after the close of the NJIL Offer.

LETTER FROM INVESTEC

HONG KONG STAMP DUTY

Since NJIL is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the NJIL Shares in Bermuda.

COMPULSORY ACQUISITION

First Prospect intends to avail itself of the right to compulsorily acquire the remaining NJIL Shares not already acquired under the NJIL Offer. Under section 102 of the Companies Act, if, within four months of commencement of the NJIL Offer, First Prospect receives acceptances from the NJIL Shareholders representing 90% of the NJIL Shares subject to the NJIL Offer (and such acceptances must also represent 75% in number of the NJIL Shareholders accepting the NJIL Offer) First Prospect can compulsorily acquire the NJIL Shares held by the remaining NJIL Shareholders. Under section 103 of the Companies Act, First Prospect can compulsorily acquire the NJIL Shares held by the remaining NJIL Shareholders once it holds 95% of all the issued NJIL Shares. In addition to the aforesaid requirements, Rule 2.11 of the Takeovers Code also requires that the right of compulsory acquisition may only be exercised if acceptances of the NJIL Offer and purchases (in each case of the disinterested NJIL Shares) made by First Prospect and parties acting in concert with it during the period of four months after posting of the Composite Document total 90% of the disinterested NJIL Shares. Further announcements will be made if and when First Prospect decides to exercise such right of compulsory acquisition as and when appropriate.

In the event that upon the closing of the NJIL Offer, First Prospect and parties acting in concert with it hold 95% or more of the voting rights of NJIL, pursuant to section 103 of the Companies Act, First Prospect and parties acting in concert with it intend to direct NJIL to compulsorily acquire all the NJIL Shares not already owned by First Prospect and parties acting in concert with it.

INFORMATION ON FIRST PROSPECT

First Prospect is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Chan. Mr. Chan is the sole director and shareholder of First Prospect. Its principal activity is investment holding.

INTENTION OF FIRST PROSPECT REGARDING NJIL

Given that the NJIL Shares will not be listed on the Stock Exchange or any other stock exchange, it will be difficult, if not impossible, for holders of the NJIL Shares to liquidate their shareholdings in NJIL. First Prospect therefore considers that it is appropriate to provide the NJIL Shareholders with an opportunity to realise their investments in NJIL by making the NJIL Offer on a voluntary basis pursuant to the Takeovers Code. It is the intention of First Prospect that the NJIL Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of First Prospect that the NJIL Group will not hold any assets other than those assets related to the Distributed Businesses, nor be injected any major assets, nor dispose of

LETTER FROM INVESTEC

any major assets, after the close of the NJIL Offer. First Prospect does not intend to introduce any major changes to the existing operation or to discontinue the employment of any employees of the NJIL Group. There is no plan for First Prospect to redeploy any fixed assets of the NJIL Group other than in its ordinary course of business. First Prospect also expects that there will be no material change to the existing business of NJIL.

While First Prospect is of the view that the NJIL Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the NJIL Shareholders to realise all or part of their shareholdings in the NJIL, which are unlisted and may be illiquid, there is no intention to apply for listing of the NJIL Shares on the Stock Exchange or any other stock exchange. The interests of the NJIL Shareholders will be safeguarded by the constitutional documents of NJIL, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the constitutional documents of NJIL has been included in Appendix III to this Composite Document.

Notwithstanding that there is no intention for the NJIL Group to conduct any fund raising activities, the NJIL Group may require further funding from the NJIL Shareholders for the development of its business in the future but no plan in respect of funding has been contemplated as at the Latest Practicable Date.

If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to in the section headed “Compulsory Acquisition” above in this letter, the Independent NJIL Shareholders who do not accept the NJIL Offer will end up holding NJIL Shares which are unlisted shares. It may be difficult for the holders of NJIL Shares to dispose of the NJIL Shares as no on market trading facilities for such shares will be available.

THE NJIL BOARD

As at the Latest Practicable Date, the NJIL Board comprised Mr. Chan and Mr. Tang Chee Kwong. If NJIL remains a public company upon the close of the NJIL Offer, it will appoint three independent non-executive directors and it will still be subject to the provisions of the Takeovers Code. Further announcement will be made in this regard as and when appropriate.

ACCEPTANCE AND SETTLEMENT

Appendix I to this Composite Document and the Form of Acceptance and Transfer contain further details regarding the procedures for acceptance and settlement of the NJIL Offer, and further terms of the NJIL Offer.

LETTER FROM INVESTEC

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the NJIL Offer. It is emphasised that none of First Prospect, NJIL, Investec, any of their respective directors and any persons involved in the NJIL Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the NJIL Offer.

OVERSEAS NJIL SHAREHOLDERS

The making of the NJIL Offer in, or to the Independent NJIL Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions.

Independent NJIL Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Independent NJIL Shareholder not resident in Hong Kong who wishes to accept the NJIL Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

INDEPENDENT ADVICE

Messis Capital Limited and Veda Capital Limited have been appointed as the Joint Independent Financial Advisers to advise the Independent NJIL Shareholders (i) as to whether the terms of the NJIL Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the NJIL Offer. Your attention is drawn to their letter of advice to the Independent NJIL Shareholders set out on pages 15 to 27 of this Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the section headed “Expected Timetable” on page ii of this Composite Document, the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director



28 November 2011

To: *the Independent NJIL Shareholders*

Dear Sir/Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY
INVESTEC CAPITAL ASIA LIMITED
ON BEHALF OF
FIRST PROSPECT HOLDINGS LIMITED
TO ACQUIRE ALL THE SHARES IN
NOBLE JEWELRY INVESTMENT LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FIRST PROSPECT HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Joint Independent Financial Advisers to the NJIL Shareholders in respect of the NJIL Offer. The details of the NJIL Offer, among other things, are set out in the composite offer and response document of NJIL dated 28 November 2011 (the “**Composite Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Following the completion of the Distribution In Specie which took place on 21 November 2011, First Prospect and parties acting in concert with it were interested in an aggregate of 176,140,000 NJIL Shares, representing approximately 64.38% of the issued share capital of NJIL as at the Latest Practicable Date.

Investec, the financial adviser to First Prospect and on behalf of First Prospect, is making the NJIL Offer to the Independent NJIL Shareholders to acquire all the NJIL Shares held by the Independent NJIL Shareholders, which is unconditional in all respects and in compliance with the Takeovers Code on the following terms:

For each NJIL Share held HK\$0.50 in cash (the “NJIL Offer Price”)

Under the terms of the NJIL Offer, acceptance of the NJIL Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent NJIL Shareholders accepting the NJIL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Further details of the terms of the NJIL Offer, including the procedures for acceptance and settlement of the NJIL Offer, are set out in the letter from Investec and Appendix I to the Composite Document.

As set out in the letter from the NJIL Board, since the NJIL Board does not have any non-executive directors or independent non-executive directors, no independent committee of NJIL Board can be formed to give recommendation to the Independent NJIL Shareholders in connection with the NJIL Offer. As such, we have been appointed as the Joint Independent Financial Advisers to advise the Independent NJIL Shareholders in respect of the NJIL Offer.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the NJIL Directors and the management of NJIL. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all information provided and representations made by the NJIL Directors and the management of NJIL for which they are solely responsible, are true and accurate at the time they were provided and made and as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to date throughout the offer period (as defined under the Takeovers Code). We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the NJIL Directors and the management of NJIL. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The NJIL Directors have further confirmed that, having made all reasonable enquiries, and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided and representations made to us by the NJIL Directors and the management of NJIL, nor have we conducted an independent investigation into the business and affairs of the NJIL Group and First Prospect.

This letter is issued to the Independent NJIL Shareholders regarding the NJIL Offer for their information only, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In assessing the NJIL Offer and in giving our recommendation, we have taken into our consideration the following principal factors and reasons:

1. Background of the NJIL Offer

On 8 September 2011, it was jointly announced by Noble Jewelry, First Prospect and Resources Rich that First Prospect, amongst others, had entered into the Share Sale Agreement pursuant to which First Prospect and other vendors under the Share Sale Agreement had conditionally agreed to sell their aggregate interests of 197,142,000 shares in Noble Jewelry to Resources Rich. The Share Sale Agreement was conditional upon, amongst other things, the completion of the Group Reorganisation, pursuant to which, the Noble Jewelry Group would, amongst other things, reorganise itself to form the Remaining Group (which is principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC (i.e. the Remaining Businesses)) and the NJIL Group which is principally engaged in the design and manufacturing (in the PRC) of fine jewelry products for wholesale to various countries other than the PRC and retail of fine jewelry in the US and Spain (i.e. the Distributed Businesses).

Upon completion of the share transfer under the Share Sale Agreement, Noble Jewelry distributed all of its NJIL Shares in specie to the Noble Jewelry Shareholders whose names appeared on the register of members of Noble Jewelry on the Record Date for such distribution on the basis of one NJIL Share for each share in Noble Jewelry held.

Following the completion of the Distribution In Specie which took place on 21 November 2011, First Prospect and parties acting in concert with it were interested in an aggregate of 176,140,000 NJIL Shares, representing approximately 64.38% of the issued share capital of NJIL as at the Latest Practicable Date.

Investec, the financial adviser to First Prospect and on behalf of First Prospect, is making the NJIL Offer on an unconditional voluntary basis pursuant to the Takeovers Code to the Independent NJIL Shareholders to acquire all the NJIL Shares not already owned by First Prospect and parties acting in concert with it. The NJIL Offer is unconditional in all respects. Under the terms of the NJIL Offer, acceptance of the NJIL Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent NJIL Shareholders accepting the NJIL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

2. Information of the NJIL Group

The NJIL Group is principally engaged in the Distributed Businesses, being the design, manufacturing (in the PRC) of fine jewelry products for wholesale to various countries other than the PRC and the retail of fine jewelry in the US and Spain.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

expense due to the increase in staff cost and a provision for the related damages and penalties of the custom duty payable to the US Customs Service for the year ended 31 March 2011.

2.2 Unaudited financial information of the Distributed Businesses

Set out below is the summary of unaudited financial information of the Distributed Businesses, being the principal businesses of the NJIL Group as extracted from the published unaudited interim financial information of Noble Jewelry for the six months ended 30 September 2011 as set out in Noble Jewelry's interim report for the six months ended 30 September 2011 ("**2011 Interim Report**"):

	Six months ended	
	30 September	
	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	309,443	321,810
Gross profit	82,899	101,270
Other revenue	1,418	2,200
Profit/(loss) before income tax	12,850	12,090
Profit/(loss) for the year	<u>10,008</u>	<u>8,938</u>
		As at
		30 September
		2011
		<i>HK\$'000</i>
Net assets		<u>188,250</u>

According to the 2011 Interim Report, the turnover of the Distributed Businesses rose by approximately 4.0% from approximately HK\$309.4 million for the six months ended 30 September 2010 ("**1H 2011**") to approximately HK\$321.8 million for the six months ended 30 September 2011 ("**1H 2012**") which was mainly attributable to the good performance of the newly markets like Indonesia, Russian Federation and Africa and the subsisting rise in gold and diamond prices during the period. Net profit for the Distributed Businesses drop by approximately 11.0% from approximately HK\$10.0 million for 1H 2011 to approximately HK\$8.9 million for 1H 2012 which was mainly due to the provision of approximately HK\$16.2 million for the related damages and penalties of custom duty payable to the US Custom Service (reference relating to the dispute with the US Custom Services is made to the Nobel Jewelry Group's annual report as at 31 March 2011 and announcement dated 12 August 2011).

According to the 2011 Interim Report, the total assets and total liabilities of the Distributed Businesses as at 30 September 2011 amounted to approximately HK\$706.4 million and approximately HK\$518.1 million, respectively. The net assets of the Distributed Businesses as at 30 September 2011 amounted to approximately HK\$188.3 million.

2.3 Unaudited pro forma financial information of the NJIL Group

For the purpose of this section and the section headed “4. The NJIL Offer Price” below, the “Remaining Privateco Group” refers to the NJIL Group.

According to the unaudited pro forma financial information of the Remaining Privateco Group (i.e. the NJIL Group) as set out in Appendix II to the Composite Document, assuming the Group Reorganisation and the Distribution In Specie had taken place at the commencement of the financial year ended 31 March 2011, the turnover of the NJIL Group for the year ended 31 March 2011 would decrease by approximately HK\$58.1 million from approximately HK\$643.4 million to approximately HK\$585.3 million. The unaudited pro forma loss for the year ended 31 March 2011 was approximately HK\$10.1 million as compared to the loss of the Privateco Group of approximately HK\$9.9 million for year ended 31 March 2011. Such changes in the NJIL Group’s result are principally due to the exclusion of the income and expenses attributable to the Remaining Businesses and the PRC jewelry retail business which has been terminated pursuant to the Group Reorganisation.

According to the unaudited pro forma financial information of the Remaining Privateco Group (i.e. the NJIL Group) as set out in Appendix II to the Composite Document, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, the pro forma total assets of the NJIL Group would be approximately HK\$633.2 million, which represented a decrease of approximately HK\$76.4 million from the Privateco Group’s total assets as at 31 March 2011. The pro forma total liabilities of the NJIL Group would be approximately HK\$433.0 million, which represented a decrease of approximately HK\$99.6 million from the Privateco Group’s total liabilities as at 31 March 2011. The pro forma net assets of the NJIL Group would be increased from approximately HK\$177.0 million to approximately HK\$200.2 million.

According to the unaudited pro forma financial information of the Remaining Privateco Group (i.e. the NJIL Group) as set out in Appendix II to the Composite Document, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, the pro forma net current assets of the NJIL Group would have been increased by approximately HK\$37.5 million from approximately HK\$7.0 million to approximately HK\$44.5 million.

2.4 Prospect and outlook of the NJIL Group

Overview of the global economy

According to The World Bank, the global gross domestic products (“GDP”) increased from approximately US\$32,209 billion in 2000 to approximately US\$63,044 billion in 2010, representing a compound annual growth rate (“CAGR”) of approximately 6.95% from 2000 to 2010. The GDP of the US increased steadily from approximately US\$9,899 billion in 2000 to approximately US\$14,582 billion in 2010, representing a CAGR of approximately 3.95%. Due to the global economic downturn, the sub-prime mortgage crisis, falling home prices and tighter credit policy, the US fell into a recession in the second half of 2008. However, the US economy has been slowly recovering after the implementation of quantitative easing to bolster its economic growth in 2009.

According to the Annual Retail Trade Survey released by the US Census Bureau on 31 March 2011, US retail sales increased from approximately US\$3,480 billion in 2004 to approximately US\$3,889 billion in 2010 despite the decreases in 2008 and 2009 as a result of the economic downturn in the US, representing a CAGR of approximately 1.87% from 2004 to 2010. In the latest August 2011 Monthly Retail Trade Report released by the US Census Bureau on 14 October 2011, total retail sales in the US for August 2011 was approximately US\$350 billion, representing an increase by approximately 7.7% compared to August 2010, which indicates strengthening consumer outlook for the retail sector in the US.

According to the website of the International Monetary Fund, the GDP of the European Union (the “EU”) increased from approximately US\$8,510 billion in 2000 to approximately US\$16,250 billion in 2010, representing a CAGR of approximately 7.45% from 2000 to 2010. Despite the debt crisis affecting certain European nations and global economic downturn in 2009, the EU’s GDP increased over the 10-year period from 2000–2010.

Prospects and outlooks

The world economy has not completely recovered from the economic and financial structural adjustment triggered by the global financial tsunami in 2008. The US and European markets have been recovering gradually, however the recovery of the jewelry sector remains soft over a prolonged period as the jewelry industry is sensitive to changes in the economy. The luxury consumption markets remain sluggish which is attributed to uncertain worldwide economies and the surging gold and diamond prices. The sovereign debt risk in the US and Europe remains a looming concern over the development and growth in jewelry industry. Slowing economic growth or recession could have a material adverse effect on sales and profitability of the jewelry business.

As advised by the management of the NJIL Group, it is expected that the operating environment for the year ahead will still be severe and challenging. Given the ongoing uncertainties, the NJIL Group's businesses will remain conservative as the market is still vulnerable due to cautious consumer spending and the lingering effect of the financial crisis. As at the Latest Practicable Date, there are no further details in respect of the corporate strategy and in particular, the plans for the broadening of the income stream of the NJIL Group and as such, the effects arising from the implementation of such plans, if any, have yet to be demonstrated, and the NJIL Group might require additional funding for development of its existing business.

Taking into account (i) the unsteady pace of the global economic recovery; (ii) the market in the US and Europe which may remain fragile and uncertain; and (iii) no plan for the development or future expansion of the NJIL Group has been contemplated or deployed by the management of the NJIL Group as at the Latest Practicable Date, we consider that there is no guarantee that the prospects of the NJIL Group will have a significant improvement in the near future. In light of the above, we are of the view that the outlook and the future business of the NJIL Group are still subject to a number of challenges and hence it is uncertain in the near future.

3. Background of First Prospect and its intention regarding the NJIL Group

3.1 Background

First Prospect and parties acting in concert with it were interested in an aggregate of 176,140,000 NJIL Shares, representing approximately 64.38% of the issued share capital of the NJIL as at the Latest Practicable Date.

First Prospect is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Chan. Mr. Chan is the sole director and shareholder of First Prospect. Its principal activity is investment holding.

3.2 Intention of First Prospect regarding the NJIL Group

Given that the NJIL Shares will not be listed on the Stock Exchange or any other stock exchange, it will be difficult, if not impossible, for NJIL Shareholders to liquidate their shareholdings in NJIL. First Prospect therefore considers that it is appropriate to provide the NJIL Shareholders with an opportunity to realise their investments in NJIL by making the NJIL Offer on a voluntary basis pursuant to the Takeovers Code.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As stated in the paragraph headed “Intention of First Prospect regarding NJIL” set out in the letter from Investec in the Composite Document, it is the intention of First Prospect that the NJIL Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of First Prospect that the NJIL Group will not hold any assets other than those assets related to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the NJIL Offer. First Prospect does not intend to introduce any major changes to the existing operation or to discontinue the employment of any employees of the NJIL Group. There is no plan for First Prospect to redeploy any fixed assets of the NJIL Group other than in its ordinary course of business. First Prospect also expects that there will be no material change to the existing business of NJIL.

First Prospect is of the view that the NJIL Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the Independent NJIL Shareholders to realise all or part of their shareholdings in NJIL, which are unlisted and may be illiquid as there is no intention to apply for listing of the NJIL Shares on the Stock Exchange or any other stock exchange. The interests of the NJIL Shareholders will be safeguarded by the constitutional documents of NJIL, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the constitutional documents of NJIL has been included in Appendix III to this Composite Document.

Notwithstanding that there is no intention for the NJIL Group to conduct any fund raising activities, the NJIL Group may require further funding from the NJIL Shareholders for the development of its business in the future but no plan in respect of funding has been contemplated as at the Latest Practicable Date.

3.3 Intention of First Prospect regarding the NJIL Offer

As stated in the paragraph headed “Compulsory Acquisition” in the letter from Investec set out in the Composite Document, First Prospect intends to avail itself of the right to compulsorily acquire the remaining NJIL Shares not already acquired under the NJIL Offer. Under section 102 of the Companies Act, if, within four months of commencement of the NJIL Offer, First Prospect receives acceptances from the NJIL Shareholders representing 90% of the NJIL Shares subject to the NJIL Offer (and such acceptances must also represent 75% in number of the NJIL Shareholders accepting the NJIL Offer), First Prospect can compulsorily acquire the NJIL Shares held by the remaining NJIL Shareholders. Under section 103 of the Companies Act, First Prospect can compulsorily acquire the NJIL Shares held by the remaining NJIL Shareholders once it holds 95% of all the issued NJIL Shares. In addition to the aforesaid requirements, Rule 2.11 of the Takeovers Code also requires that the right of compulsory acquisition may only be exercised if acceptances of the NJIL Offer and purchases (in each case of the disinterested NJIL Shares) made by First Prospect and parties acting in concert with it during the period of four months after posting of the Composite Document total 90% of the disinterested NJIL Shares.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Independent NJIL Shareholders are reminded that, in the event that upon the closing of the NJIL Offer, First Prospect and parties acting in concert with it hold 95% or more of the voting rights of NJIL, pursuant to section 103 of the Companies Act, First Prospect and parties acting in concert with it intend to direct NJIL to acquire all the NJIL Shares not already owned by First Prospect and parties acting in concert with it. Independent NJIL Shareholders who do not accept the NJIL Offer will end up holding the unlisted NJIL Shares which may be difficult to dispose of due to the lack of an active market for such shares.

4. The NJIL Offer Price

The NJIL Group is principally engaged in the Distributed Businesses, being the design and manufacturing (in the PRC) of fine jewelry products for wholesale to various countries other than the PRC and the retail of fine jewelry in the US and Spain.

For the purpose of assessing the fairness and reasonableness of the value of the NJIL Group implied by the NJIL Offer Price, we have identified two companies listed on the Main Board of the Stock Exchange (the “**Comparable Companies**”) which are engaged in businesses similar to those of the NJIL Group during their respective latest financial year. In general, in assessing whether a business segment is principal to a company, we consider it is a justifiable basis to make reference to the revenue generated from a business segment which contributes more than half of the total revenue of a company. We have thus identified an exhaustive list of two Comparable Companies by searching through published information on the Stock Exchange’s website, which (i) are principally engaged in the manufacturing and sale of jewelry products; (ii) have more than half of the total revenue derived from manufacturing and sale of jewelry products; and (iii) have more than half of the segment revenue derived from various countries other than the PRC. We consider that the list of Comparable Companies is a fair and representative sample for comparison as the principal business of the Comparable Companies are similar to that of the NJIL Group. Details of our findings on the Comparable Companies are summarised in the table below.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Company (stock code)	Principal activities	Closing price as at the last trading day (being 31 August 2011, “Last Trading Day”) (HK\$)	Net asset value per share based on the latest audited published financial statements (HK\$)	Price to earnings multiple (approximate times) (Note 1)	Price to book multiple (approximate times) (Note 2)
Continental Holdings Ltd. (stock code: 513)	Design, manufacture, marketing and trading of fine jewellery and diamonds, and property investment and development	0.11	0.33	10.38	0.33
Man Sang International Ltd. (stock code: 938)	Purchasing, assembling, merchandising and wholesale distribution of pearls and jewelry products; property development and investment	0.51	1.11	11.43	0.46
Average				10.91	0.40
The NJIL Group	Design, manufacturing and wholesale of fine jewelry products in various countries other than the PRC and retail of fine jewelry in the US and Spain	0.5 (being the NJIL Offer Price)	0.73 (Note 3)	N/A (Note 4)	0.68 (Note 5)

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

- Price to earnings multiples of the Comparable Companies are calculated based on their respective closing price per share as quoted on the Stock Exchange as at the Last Trading Day and their respective basic earnings per share for the latest financial year.
- Price to book multiples of the Comparable Companies are calculated on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day and their respective audited consolidated net asset value as at the balance sheet date of their latest published audited financial statements, which is calculated by dividing the audited consolidated net assets by the total number of ordinary shares in issue of the respective Comparable Companies.
- This is calculated based on the unaudited pro forma net asset value of the Remaining Privateco Group (i.e. the NJIL Group) of approximately HK\$200.2 million as at 31 March 2011 as set out in Appendix II to the Composite Document and 273,610,000 Shares in issue at the Latest Practicable Date.
- The NJIL Group was loss making on a pro forma basis as per the unaudited pro forma financial information of the Remaining Privateco Group (i.e. the NJIL Group) in Appendix II to the Composite Document and price to earnings multiple is thus not applicable.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

5. The price to book multiple of the NJIL Group is calculated based on the NJIL Offer Price divided by unaudited pro forma combined net assets value per share of approximately HK\$0.73 as at 31 March 2011 which is based on the unaudited pro forma net assets of the Remaining Privateco Group (i.e. the NJIL Group) of approximately HK\$200.2 million as at 31 March 2011 and the total numbers of 273,610,000 NJIL Shares in issue as at the Latest Practicable Date.

As the NJIL Group was loss making for the year ended 31 March 2011 on a pro forma basis, we consider the price to earnings multiple is not applicable in assessing the fairness and reasonableness of the NJIL Offer Price. We therefore use the price to book multiple in our valuation of the NJIL Group, which is a widely adopted valuation method in valuing companies, particularly loss making companies.

“Privateco Group” for the purpose of the audited financial information of the Privateco Group as set out in Appendix II to the Composite Document refers to NJIL and its subsidiaries as at 30 September 2011, which comprised the Remaining Group (other than Noble Jewelry and First Corporate International Limited) and the NJIL Group, while the unaudited pro forma financial information of the Remaining Privateco Group (i.e. the NJIL Group) illustrates the effect of the Group Reorganisation and the Distribution In Specie. In view of the above, in performing our analysis, we have used the unaudited pro forma net assets value of the NJIL Group of approximately HK\$200.2 million as set out in the unaudited pro forma combined balance sheet of the Remaining Privateco Group (i.e. the NJIL Group) as at 31 March 2011 in Appendix II to the Composite Document instead of the combined net asset value of the Privateco Group of approximately HK\$177.0 million as set out in the financial information of the Privateco Group as at 31 March 2011 in Appendix II to the Composite Document.

Based on 273,610,000 NJIL Shares in issue, the unaudited pro forma net asset value per NJIL Share was approximately HK\$0.73 as at 31 March 2011. On this basis, the NJIL Offer Price of HK\$0.50 would represent a price to book multiple of approximately 0.68 times. The NJIL Offer Price represents a discount of approximately 31.5% to the unaudited pro forma net asset value per NJIL Share. We have also compared the price to book multiple implied by the NJIL Offer Price with the price to book multiple of the Comparable Companies. The price to book multiples of the Comparable Companies ranged from approximately 0.33 to 0.46 times with an average price to book multiple of approximately 0.40 times. The price to book multiple implied by the NJIL Offer Price of approximately 0.68 is higher than the average of the Comparable Companies and represents a premium of approximately 70.00% to the average price to book multiple of the Comparable Companies.

In light of the above analysis and having considered (i) the NJIL Group is not listed on any stock exchange and there is no active market for the trading of the NJIL Shares which make the NJIL Shares illiquid; and (ii) the price to book multiple represented by the NJIL Offer Price of approximately 0.68 times is higher than the average of the price to earnings multiple of the Comparable Companies of approximately 0.40 times, we consider that the NJIL Offer Price is reasonable and acceptable.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

RECOMMENDATION

Having considered the above and the principal reasons, and in particular that:

- 1) the outlook and future businesses of the NJIL Group is subject to a number of challenges and hence it is uncertain whether the Distributed Businesses will be able to maintain and/or improve its revenue and profitability in near future;
- 2) the price to book multiple as represented by the NJIL Offer Price of approximately 0.68 times is higher than the average of the price to book multiples of approximately 0.40 times of the Comparable Companies; and
- 3) the NJIL Offer provides a cash exit to the Independent NJIL Shareholders to realise their investment in NJIL given that the NJIL Shares are unlisted and illiquid;

we are of the opinion that the terms of the NJIL Offer are fair and reasonable so far as the Independent NJIL Shareholders are concerned. Accordingly, we recommend the Independent NJIL Shareholders should consider accepting the NJIL Offer.

Independent NJIL Shareholders are advised that their decision to realise or to hold their investment in the NJIL Shares depends on their own individual circumstances and investment objectives. For those Independent NJIL Shareholders who wish to retain part or all of their shareholding in the NJIL Group, they should note that the NJIL Group is principally engaged in the Distributed Businesses and the NJIL Shares will not be listed on the Stock Exchange or any other stock exchange, and accordingly, the NJIL Shares are illiquid and unlisted. Accordingly, those Independent NJIL Shareholders should carefully consider the future intentions of First Prospect regarding the NJIL Group after the close of the NJIL Offer, details of which are set out in the letter from Investec set out in the Composite Document.

Independent NJIL Shareholders are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting or rejecting the NJIL Offer.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Yours faithfully,
For and on behalf of
Veda Capital Limited

Kinson Li
Managing Director

Hans Wong
Chairman

Julisa Fong
Managing Director

PROCEDURES FOR ACCEPTANCE

Your registered holding of the NJIL Shares is set out in Box B in the accompanying Form of Acceptance and Transfer. To accept the NJIL Offer, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the NJIL Offer.

The completed Form of Acceptance and Transfer should then be forwarded by post or by hand to and reach the Transfer Agent (Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) marked "the NJIL Offer" on the envelope by no later than 4:00 p.m. on Monday, 19 December 2011 (being the Closing Date).

If your NJIL Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the NJIL Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your NJIL Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

SETTLEMENT

Provided that a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the consideration due to you in respect of the NJIL Shares tendered by you under the NJIL Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid is received by the Transfer Agent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact First Prospect for payment.

Settlement of the consideration to which any Independent NJIL Shareholder is entitled under the NJIL Offer will be implemented in full in accordance with the terms of the NJIL Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which First Prospect may otherwise be, or claim to be, entitled against such Independent NJIL Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Independent NJIL Shareholders, those Independent NJIL Shareholders who hold NJIL Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the NJIL Shares whose investments are registered in nominee names to accept the NJIL Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the NJIL Offer.

The completed Form of Acceptance and Transfer and remittances sent by or to the Independent NJIL Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of NJIL (or in the case of joint Independent NJIL Shareholders, to the Independent NJIL Shareholder whose name stands first in the register of members of NJIL).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of First Prospect, NJIL, Investec, any of their respective directors and any other persons involved in the NJIL Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the NJIL Offer has previously been extended or revised, the NJIL Offer will close on Monday, 19 December 2011 (being the Closing Date). The latest time for acceptance of the NJIL Offer will be at 4:00 p.m. on the Closing Date.

If the NJIL Offer is extended or revised, an announcement of such extension or revision will be published by First Prospect on the Stock Exchange's website under Noble Jewelry and the SFC's website by 7:00 p.m. on the Closing Date which will state either the next closing date or that the NJIL Offer will remain open until further notice. In the latter case, the NJIL Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Independent NJIL Shareholders who have not accepted the NJIL Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The latest time for acceptance of the NJIL Offer will be at 4:00 p.m. on the Closing Date. The benefit of any revision of the NJIL Offer will also be available to all Independent NJIL Shareholders who have previously accepted the NJIL Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Independent NJIL Shareholders who have previously accepted the NJIL Offer shall be deemed to constitute acceptance of any revised NJIL Offer.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer shall, except where the context otherwise requires, be deemed to refer to the closing date of the NJIL Offer so extended.

ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), First Prospect shall inform the Executive of its intention in relation to the extension or revision of the NJIL Offer. First Prospect shall publish an announcement on the Stock Exchange's website under Noble Jewelry by 7:00 p.m. on the Closing Date stating whether the NJIL Offer has been revised or extended. Such announcement shall state the total number of NJIL Shares and rights over NJIL Shares:

- (i) for which acceptances of the NJIL Offer have been received;
- (ii) held, controlled or directed by First Prospect and parties acting in concert with it before 9 September 2011 (being the commencement date of the offer period as defined in the Takeovers Code for the NJIL Offer); and
- (iii) acquired or agreed to be acquired during the offer period (as defined in the Takeovers Code) for the NJIL Offer by First Prospect and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in NJIL which First Prospect or parties acting in concert with it has borrowed or lent, save for any borrowed NJIL Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of NJIL, and the percentages of voting rights, represented by the above number of NJIL Shares.

In computing the number of NJIL Shares in accordance with the Takeovers Code represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the NJIL Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of NJIL will be delivered to the Executive in electronic form for publication on the SFC's website.

RIGHT OF WITHDRAWAL

Acceptance of the NJIL Offer tendered by the Independent NJIL Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code relating to the announcement of results of offer as described in the paragraph headed “Announcements” above have not been complied with.

The NJIL Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the NJIL Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent NJIL Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the NJIL Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to First Prospect that the local laws and requirements have been fully complied with. Independent NJIL Shareholders should consult their professional adviser if in doubt.

GENERAL

- (i) Acceptance of the NJIL Offer by any person will be deemed to constitute a warranty by such person to First Prospect, NJIL and Investec that the NJIL Shares sold under the NJIL Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant NJIL Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those NJIL Shares.
- (ii) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the NJIL Offer to be delivered by or sent to or from the accepting Independent NJIL Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of First Prospect, NJIL, Investec, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the NJIL Offer.

- (iv) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer to any person to whom the NJIL Offer is made will not invalidate the NJIL Offer in any way.
- (v) The NJIL Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the Laws of Hong Kong.
- (vi) References to the NJIL Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of First Prospect or Investec or such person or persons as First Prospect or Investec may direct to complete and execute, on behalf of the person accepting the NJIL Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in First Prospect, or such other person(s) as First Prospect shall direct, all rights of the accepting Independent NJIL Shareholders in respect of the NJIL Shares which are the subject of such acceptance.

For the purpose of this Appendix II, "Privateco Group" refers to NJIL and its subsidiaries as at the date of the Circular (i.e. 30 September 2011) and prior to the completion of the Group Reorganisation and the Distribution In Specie, whose members included the Remaining Group (other than Noble Jewelry and First Corporate International Limited) and the NJIL Group.

1. FINANCIAL SUMMARY OF THE PRIVATECO GROUP

Set out below is a financial summary of the Privateco Group for the three financial years ended 31 March 2011 as extracted from the accountants' report contained in Appendix III to the Circular:

	Year ended 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Turnover	<u>631,947</u>	<u>521,328</u>	<u>643,399</u>
Profit/(loss) before taxation	5,603	8,210	(5,455)
Income tax expense	<u>(4,269)</u>	<u>(4,870)</u>	<u>(4,405)</u>
Profit/(loss) for the year	<u>1,334</u>	<u>3,340</u>	<u>(9,860)</u>
Attributable to:			
Equity owners of NJIL	1,334	3,429	(8,020)
Minority interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
	<u>1,334</u>	<u>3,340</u>	<u>(9,860)</u>
Dividends	<u>5,434</u>	<u>—</u>	<u>—</u>
Earnings/(loss) per share			
Basic and diluted (<i>HK dollars</i>)	<u>0.005</u>	<u>0.013</u>	<u>(0.030)</u>
Dividend per share (<i>HK dollars</i>)	<u>0.020</u>	<u>—</u>	<u>—</u>

Notes:

1. An unqualified opinion in respect of the audit of the combined financial statements of the Privateco Group has been issued by BDO for each of the three years ended 31 March 2011.
2. There were no extraordinary or exceptional items in respect of size, nature or incidence for the Privateco Group during each of the three years ended 31 March 2011.

2. AUDITED FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The audited financial information of the Privateco Group contained in Appendix III to the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the accountants' report contained in Appendix III to the Circular.

“Combined Statements of Comprehensive Income

	Notes	Year ended 31 March		
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Turnover	6	631,947	521,328	643,399
Cost of sales		<u>(484,346)</u>	<u>(383,409)</u>	<u>(491,673)</u>
Gross profit		147,601	137,919	151,726
Other revenue	6	3,648	2,454	7,941
Distribution costs		(35,254)	(35,942)	(43,587)
Administrative expenses		(109,368)	(91,071)	(119,420)
Other gains and losses	7	15,429	556	339
Finance costs	9	(10,312)	(5,370)	(6,472)
Share of (loss)/profit of associates, net		<u>(6,141)</u>	<u>(336)</u>	<u>4,018</u>
Profit/(loss) before income tax	8	5,603	8,210	(5,455)
Income tax expense	10	<u>(4,269)</u>	<u>(4,870)</u>	<u>(4,405)</u>
Profit/(loss) for the year		<u>1,334</u>	<u>3,340</u>	<u>(9,860)</u>
Other comprehensive income				
Surplus on revaluation of leasehold land and buildings		—	—	6,837
Exchange differences on translating foreign operations		1,307	812	2,597
Amounts reclassified to initial carrying amount of hedged items		<u>4,327</u>	<u>—</u>	<u>—</u>
Other comprehensive income for the year, net of tax		<u>5,634</u>	<u>812</u>	<u>9,434</u>
Total comprehensive income for the year		<u><u>6,968</u></u>	<u><u>4,152</u></u>	<u><u>(426)</u></u>

	Year ended 31 March		
	2009	2010	2011
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
— Owners of Privateco	1,334	3,429	(8,020)
— Non-controlling interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
	<u>1,334</u>	<u>3,340</u>	<u>(9,860)</u>
Total comprehensive income attributable to:			
— Owners of Privateco	6,968	4,241	1,414
— Non-controlling interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
	<u>6,968</u>	<u>4,152</u>	<u>(426)</u>

Combined Statements of Financial Position

	<i>Notes</i>	As at 31 March		
		2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	15	49,004	51,240	93,636
Associates	16	62,874	63,510	75,167
Deposits		1,257	1,026	—
Intangible assets	17	—	—	—
Other assets	18	—	2,110	2,161
Deferred tax assets	26	<u>1,105</u>	<u>1,041</u>	<u>—</u>
		<u>114,240</u>	<u>118,927</u>	<u>170,964</u>
Current assets				
Inventories	19	250,615	264,181	359,810
Accounts receivable	20	107,255	103,683	132,988
Other receivables, deposits and prepayments		15,756	28,803	15,810
Amounts due from related parties	32(c)	8,700	20,747	15,866
Cash at banks and in hand	21	<u>14,211</u>	<u>27,331</u>	<u>14,174</u>
		<u>396,537</u>	<u>444,745</u>	<u>538,648</u>
Current liabilities				
Borrowings	22	160,113	144,169	258,064
Accounts payable	23	47,461	112,350	112,794
Other payables and accrued charges		43,641	45,398	74,673
Amounts due to related parties	32(c)	4,363	1,066	389
Amount due to immediate holding company		82,914	82,826	82,273
Obligations under finance leases	24	119	40	—
Derivative financial instruments	25	—	120	31
Tax payables		<u>806</u>	<u>1,331</u>	<u>3,396</u>
		<u>339,417</u>	<u>387,300</u>	<u>531,620</u>

		As at 31 March		
		2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets		<u>57,120</u>	<u>57,445</u>	<u>7,028</u>
Total assets less current liabilities		<u>171,360</u>	<u>176,372</u>	<u>177,992</u>
Non-current liabilities				
Deferred tax liabilities	26	—	—	1,017
Obligations under finance leases	24	<u>40</u>	<u>—</u>	<u>—</u>
		<u>40</u>	<u>—</u>	<u>1,017</u>
NET ASSETS		<u><u>171,320</u></u>	<u><u>176,372</u></u>	<u><u>176,975</u></u>
Equity				
Share capital	27	156	156	156
Reserves	28	<u>171,164</u>	<u>175,405</u>	<u>176,819</u>
Equity attributable to owners of Privateco		171,320	175,561	176,975
Non-controlling interests		<u>—</u>	<u>811</u>	<u>—</u>
TOTAL EQUITY		<u><u>171,320</u></u>	<u><u>176,372</u></u>	<u><u>176,975</u></u>

Combined Statements of Changes in Equity

	Attributable to owners of Privateco							Non-controlling		Total HK\$'000
	Share capital	Merger reserve	Capital reserve	Revaluation reserve	Exchange reserve	Hedging reserve	Retained profits	Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	156	1,627	1,445	31,634	6,318	(4,327)	132,933	169,786	—	169,786
Profit or loss	—	—	—	—	—	—	1,334	1,334	—	1,334
Other comprehensive income	—	—	—	—	1,307	4,327	—	5,634	—	5,634
Transfer between reserves upon disposal of property	—	—	—	(31,634)	—	—	31,634	—	—	—
Total comprehensive income for the year	—	—	—	(31,634)	1,307	4,327	32,968	6,968	—	6,968
Dividends paid (Note 14)	—	—	—	—	—	—	(5,434)	(5,434)	—	(5,434)
At 31 March 2009	156	1,627	1,445	—	7,625	—	160,467	171,320	—	171,320
Profit or loss	—	—	—	—	—	—	3,429	3,429	(89)	3,340
Other comprehensive income	—	—	—	—	812	—	—	812	—	812
Total comprehensive income for the year	—	—	—	—	812	—	3,429	4,241	(89)	4,152
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	900	900
At 31 March 2010	156	1,627	1,445	—	8,437	—	163,896	175,561	811	176,372
Profit or loss	—	—	—	—	—	—	(8,020)	(8,020)	(1,840)	(9,860)
Other comprehensive income	—	—	—	6,837	2,597	—	—	9,434	—	9,434
Total comprehensive income for the year	—	—	—	6,837	2,597	—	(8,020)	1,414	(1,840)	(426)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	1,029	1,029
At 31 March 2011	156	1,627	1,445	6,837	11,034	—	155,876	176,975	—	176,975

Combined Statements of Cash Flows

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit/(loss) before income tax	5,603	8,210	(5,455)
Adjustments for:			
Share of loss/(profit) of associates, net	6,141	336	(4,018)
Depreciation of property, plant and equipment	5,309	5,709	10,422
Impairment of other intangible assets	2,697	—	—
Provision for bad and doubtful debts, net	2,094	4,524	1,195
(Reversal of write-down)/write-down of inventories	(270)	139	318
Gain on disposal of leasehold land and buildings reclassified as held for sale	(13,406)	—	—
(Gain)/loss on disposal of property, plant and equipment	(1,238)	8	—
Gain on disposal of a subsidiary	(5)	—	—
Write-off of amounts due from related parties	—	548	—
Net fair value losses of forward foreign currency contracts and interest rate swap contract that do not qualifying as hedges	—	120	31
Bank interest income	(537)	(64)	(449)
Interest expenses	7,415	3,777	4,878
Operating cash flows before working capital	13,803	23,307	6,922
Decrease/(increase) in inventories	56,387	(13,968)	(96,763)
Decrease/(increase) in accounts receivable	27,088	(952)	(30,500)
Decrease/(increase) in other receivables, deposits and prepayments	745	(13,047)	12,993
Decrease/(increase) in amounts due from related parties	3,909	(12,595)	4,881
(Decrease)/increase in accounts payable	(91,830)	64,889	444
(Decrease)/increase in other payables and accrued charges	(3,895)	1,757	29,275
Decrease in amounts due to related parties	(524)	(3,297)	(677)
Decrease in amount due to immediate holding company	(8,204)	(88)	(553)
Effect of change in foreign exchange rate	3,881	(110)	2,795

	Year ended 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Cash generated from/(used in) operations	1,360	45,896	(71,183)
Income tax paid	(7,399)	(4,281)	(2,381)
Interest element of finance lease payments	(13)	(13)	(1)
Interest paid	<u>(7,402)</u>	<u>(3,764)</u>	<u>(4,877)</u>
Net cash (used in)/generated from operating activities	<u>(13,454)</u>	<u>37,838</u>	<u>(78,442)</u>
Cash flows from investing activities			
Proceeds from disposal of leasehold land and buildings reclassified as held for sale	60,175	—	—
Proceeds from disposal of property, plant and equipment	4,062	44	106
Payments to acquire property, plant and equipment	(14,613)	(7,536)	(41,855)
Payments for acquisition of other assets	—	(2,110)	—
Capital contribution from non-controlling shareholders	—	900	1,029
Acquisition of associates	(32,642)	—	(8,619)
Payments for investments in associates	(5,728)	—	—
Deposits paid for acquisition of non-current assets	(1,257)	—	—
Disposal of a subsidiary (<i>Note 29</i>)	10	—	—
Interest received	<u>537</u>	<u>64</u>	<u>449</u>
Net cash generated from/(used in) investing activities	<u>10,544</u>	<u>(8,638)</u>	<u>(48,890)</u>
Cash flows from financing activities			
(Decrease)/increase in trust receipts and other loans	(42,864)	5,197	69,647
Release of pledged bank deposits	1,098	—	—
Repayment of finance lease obligations	(119)	(119)	(40)
New bank loans raised	128,175	66,487	49,506
Repayment of bank loans	(94,685)	(81,180)	(10,191)
Dividends paid	<u>(5,434)</u>	<u>—</u>	<u>—</u>

	Year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from financing activities	<u>(13,829)</u>	<u>(9,615)</u>	<u>108,922</u>
Net (decrease)/increase in cash and cash equivalents	(16,739)	19,585	(18,410)
Effect of change in foreign exchange rate	(138)	(17)	320
Cash and cash equivalents at beginning of year	<u>24,631</u>	<u>7,754</u>	<u>27,322</u>
Cash and cash equivalents at end of year	<u><u>7,754</u></u>	<u><u>27,322</u></u>	<u><u>9,232</u></u>
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand	14,211	27,331	14,174
Less: Bank overdrafts	<u>(6,457)</u>	<u>(9)</u>	<u>(4,942)</u>
	<u><u>7,754</u></u>	<u><u>27,322</u></u>	<u><u>9,232</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

Noble Jewelry Investment Limited (“Privateco”) was incorporated in Bermuda on 16 September 2011 with limited liability. Pursuant to the Group Reorganisation as detailed in the section headed “Group Reorganisation” in the letter from the board of the Circular to this circular, Privateco became the holding company of the subsidiaries now comprising the Privateco Group. After the Group Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Group Reorganisation. The Privateco Group is regarded and accounted for as a continuing group resulting from the Group Reorganisation since all of the entities which took part in the Group Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, for the purpose of this report, the combined financial information has been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5 (“AG5”), “Merger Accounting for Common Control Combination” issued by the HKICPA.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Privateco Group has adopted all the new/revised HKFRSs issued by HKICPA, which are effective for Privateco Group’s financial year beginning on 1 April 2010, consistently throughout the Relevant Periods, where appropriate.

The following new/revised HKFRSs, potentially relevant to Privateco Group’s operations, have been issued, but are not yet effective and have not been early adopted by Privateco Group.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
Amendments to HK(IFRIC) — Interpretation 14	Repayments of a Minimum Funding Requirement ¹
HKAS 24 (Revised)	Related Party Disclosures ¹
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets ²
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets ³
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
HKAS 19 (2011)	Employee Benefits ⁵
HKAS 27 (2011)	Separate Financial Statements ⁵
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁵
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ⁵
HKFRS 11	Joint Arrangements ⁵
HKFRS 12	Disclosure of Interests in Other Entities ⁵
HKFRS 13	Fair Value Measurement ⁵

Effective date:

- (1) Annual periods beginning on or after 1 January 2011
- (2) Annual periods beginning on or after 1 July 2011
- (3) Annual periods beginning on or after 1 January 2012
- (4) Annual periods beginning on or after 1 July 2012
- (5) Annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Privateco Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on Privateco Group's Financial Information.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information have been prepared in accordance with the accounting policies which comply with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The Financial Information have been prepared under the historical cost basis except for the leasehold land and buildings and derivatives, which are measured at revalued amount and fair values respectively as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Financial Information are presented in Hong Kong dollars, which is the same as the functional currency of Privateco.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination under common control

Subsidiaries are combined from the date on which control is transferred to the Privateco Group. They are excluded from consolidation from the date that control ceases.

The Privateco Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA to account for the Group Reorganisation.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs incurred in relation to business combinations under common control that is accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Pricateco Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Privateco Group's perspective. Amounts reported in the Privateco Financial Information of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Privateco Group.

(b) Business combination and basis of consolidation

The Financial Information comprise the financial statements of Privateco and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the combined statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Privateco Group.

Business combination from 1 April 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by Privateco Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. Privateco Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Privateco Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in Privateco Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of Privateco Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Privateco.

When Privateco Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 April 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that Privateco Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against Privateco Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, Privateco Group's interest is allocated all such profits until the minority's share of losses previously absorbed by Privateco Group has been recovered.

Privateco Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to Privateco Group. Disposals to non-controlling interests result in gains and losses for Privateco Group are recognised profit or loss. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(c) Subsidiaries

A subsidiary is an entity over which Privateco is able to exercise control. Control is achieved where Privateco, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Investments in subsidiaries are included in Privateco's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by Privateco on the basis of dividends received and receivable.

(d) Associates

An associate is an entity over which Privateco Group holds for long term and is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, the investments in associates are carried in the combined statements of financial position at cost as adjusted for post-acquisition changes in Privateco Group's share of the net assets of the associates, less impairment in the value of individual investments. Losses of an associate in excess of Privateco Group's interest in that associate are recognised only to the extent that Privateco Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over Privateco Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of Privateco Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of Privateco Group, unrealised gains and losses are eliminated to the extent of Privateco Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

(e) Property, plant and equipment

Leasehold land and buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation increase arising on the revaluation of such properties is recognised in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such properties is charged to profit or loss to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued properties is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained profits.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of reporting period. The principal annual rates are as follows:

Leasehold land	Over the lease term
Buildings	2%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and machinery	20%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net sales proceeds and the carrying amount of the item and is recognised in profit or loss in the year in which the item is derecognised.

(f) Impairment of assets

At the end of each reporting period, Privateco Group reviews the carrying amounts of its property, plant and equipment and investments in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Privateco Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the first-in-first-out method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated cost of completion and estimated selling expenses after the end of reporting period or to management estimates based on prevailing market conditions.

(h) Financial instruments

Financial assets and financial liabilities are recognised on Privateco Group's statement of financial position when Privateco Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets. Privateco Group's financial assets are subsequently accounted for as follows, depending on their classification:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each of the reporting period subsequent to initial recognition, loans and receivables (including accounts and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Privateco Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Derecognition of financial assets

Privateco Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and has transferred substantially all the risks and rewards of ownership of the asset to another entity. If Privateco Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Privateco Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Privateco Group retains substantially all the risks and rewards of ownership of a transferred financial asset, Privateco Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Privateco after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by Privateco are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including accounts and other payables and borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

Privateco Group derecognises financial liabilities when, and only when, Privateco Group's obligations are discharged, cancelled or they expire.

(i) Derivative financial instruments

Privateco Group enters into forward foreign currency contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Privateco Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments, hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments, or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of Privateco Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Privateco Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Privateco Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) Deferred tax

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the end of reporting period are used to determine deferred taxation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where Privateco Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Privateco Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Privateco Group intends to settle its current tax assets and liabilities on a net basis.

(m) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The Financial Information are expressed in Hong Kong dollars which is the functional currency of Privateco, and the presentation currency for the Financial Information.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting Financial Information, the assets and liabilities of Privateco Group’s foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under exchange reserve. Exchange differences on monetary items such as receivable from or payable to a foreign operation for which settlement is neither planned nor likely to

occur, which form part of the net investment in a foreign operation, reclassified from profit or loss to equity under exchange reserve. These translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(n) Employees' benefits

(i) Short term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) Pension obligations

The full time employees of Privateco Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. These government-sponsored pension plans are responsible for the pension liability to these retired employees. Privateco Group contributes on a monthly basis to these pension plans. Under these plans, Privateco Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(o) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Privateco Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, Privateco Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of each reporting period.

(p) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of Privateco Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Privateco Group or of any entity that is a related party of Privateco Group.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and returns.

- (i) Revenue from the sale of products is recognised when the group entity has delivered goods to the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.
- (ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.
- (iii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.
- (iv) Rental income from operating leases is recognised on straight-line basis over the terms of relevant lease.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Privateco Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

Privateco Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

Privateco Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Write-downs of inventories to net realisable value

Privateco Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Impairment of accounts and other receivables

Privateco Group makes provision for impairment of accounts and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to accounts and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of accounts and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Sales return provision

Sales return provision is made by Privateco Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to the customers. This provision is recognised by Privateco Group based on the best estimates by management with reference to the past experience and other relevant factors. Any difference between this estimate and the actual return will impact profit or loss in the period in which the actual return is determined.

(e) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

6. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

- (a) Turnover represents the invoiced value of goods sold less returns and discounts. Revenues recognised during the Relevant Periods are analysed as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover			
Sales	<u>631,947</u>	<u>521,328</u>	<u>643,399</u>
Other revenue			
Sundry income	1,389	1,980	5,163
Income from wedding etiquette services	—	—	1,929
Bank interest income	537	64	449
Management fee income	357	333	400
Income from sale of raw materials	<u>1,365</u>	<u>77</u>	<u>—</u>
	<u>3,648</u>	<u>2,454</u>	<u>7,941</u>
Total revenue	<u><u>635,595</u></u>	<u><u>523,782</u></u>	<u><u>651,340</u></u>

(b) Reportable segments

Information regarding Privateco Group's reportable operating segments as provided to Privateco Group's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the period is only design, manufacture and trading of fine jewelry products.

Privateco Group's turnover derived from design, manufacture and trading of fine jewelry products in different sectors was analysed as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Wholesale business	592,134	483,454	585,818
Retail and brand business	39,813	14,672	29,238
Sales network collaboration	<u>—</u>	<u>23,202</u>	<u>28,343</u>
	<u><u>631,947</u></u>	<u><u>521,328</u></u>	<u><u>643,399</u></u>

(c) Geographical information

An analysis of Privateco Group's revenue from external customers and non-current assets is as follows:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
i) Turnover			
— Europe	173,598	163,326	165,148
— The Middle East	183,190	121,477	164,991
— America	104,057	84,079	111,695
— The People's Republic of China, other than Hong Kong ("PRC")	58,043	41,083	63,475
— Japan	30,889	27,047	29,173
— Hong Kong	20,925	10,405	17,153
— Africa	24,781	15,009	16,167
— Others	36,464	58,902	75,597
	<u>631,947</u>	<u>521,328</u>	<u>643,399</u>
ii) Additions to property, plant and equipment			
— Hong Kong	50	336	29,523
— PRC	21,923	6,621	12,181
— America	120	806	151
— Others	—	4	—
	<u>22,093</u>	<u>7,767</u>	<u>41,855</u>
iii) Segment assets			
— Hong Kong	301,621	335,229	443,530
— PRC	112,130	127,553	165,639
— America	63,417	58,921	65,434
— Europe	30,511	35,172	30,241
— Japan	1,919	5,657	4,694
— The Middle East	74	99	74
	<u>509,672</u>	<u>562,631</u>	<u>709,612</u>

(d) Information about major customers

During the Relevant Periods, none of the customers had entered into transactions exceeding 10% of Privateco Group's revenues.

7. OTHER GAINS AND LOSSES

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Fair value gains/(losses) on derivative financial instruments:			
Forward foreign currency contracts and interest rate swap contract that do not qualify as hedges	—	(120)	(31)
Gain/(loss) on settlement of forward foreign currency contracts upon maturity	<u>575</u>	<u>397</u>	<u>(1,781)</u>
Net gains/(losses) on derivatives	575	277	(1,812)
Exchange gains, net	—	756	2,049
Gain/(loss) on disposal of property, plant and equipment	1,238	(8)	—
Write-off of amounts due from related parties	—	(548)	—
Gain on disposal of leasehold land and buildings reclassified as held for sale	13,406	—	—
Gain on disposal of a subsidiary (<i>Note 29</i>)	5	—	—
Others	<u>205</u>	<u>79</u>	<u>102</u>
	<u>15,429</u>	<u>556</u>	<u>339</u>

8. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging/(crediting) the following:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cost of inventories expensed (<i>note 19</i>)	484,346	383,409	491,673
Staff costs (including directors' remuneration) (<i>note 11</i>)	108,793	84,538	94,194
Depreciation of property, plant and equipment	5,309	5,709	10,422
Auditor's remuneration	1,201	1,415	1,374
Provision for custom duty under-provided in prior years and related damages and penalties (<i>Note</i>)	—	3,170	26,667
Provision for bad and doubtful debts, net (<i>note 20(d)</i>)	2,094	4,524	1,195
Bad debts written off	4,491	85	1,999
Exchange gains, net	8,782	(756)	(2,049)
Impairment of other intangible assets	<u>2,697</u>	<u>—</u>	<u>—</u>

Note: In year 2010, the US Customs Service (the "US Government") initiated an investigation on the payment of custom duty for shipments to the US on certain group companies. It mainly related to a dispute over the custom duty for the purchases from the Group's wholly-owned subsidiary in prior years. After negotiation with the US Government, a final settlement of US\$3,850,000 (equivalent to HK\$29,837,000) for such dispute including related damages and penalties was proposed in August 2011, which is subject to agreement on other terms of the settlement. Accordingly, Privateco Group made a full provision of HK\$29,837,000 for the above at the end of Relevant Periods.

9. FINANCE COSTS

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on borrowings			
— Wholly repayable within five years	7,402	3,764	4,830
— Not wholly repayable within five years	<u>—</u>	<u>—</u>	<u>47</u>
	7,402	3,764	4,877
Finance lease charges	13	13	1
Bank charges	<u>2,897</u>	<u>1,593</u>	<u>1,594</u>
	<u>10,312</u>	<u>5,370</u>	<u>6,472</u>

The analysis shows the finance costs of borrowings, including term loans all of which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements.

10. INCOME TAX EXPENSE

(a) The amount of income tax expense in the combined statements of comprehensive income represents:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax — Hong Kong profits tax			
— provision for the year	3,365	2,955	5,333
— Under/(over) provision in respect of prior years	419	283	(939)
Current tax — overseas			
— provision for the year	216	56	62
— Under/(over) provision in respect of prior years	<u>468</u>	<u>1,512</u>	<u>(10)</u>
	4,468	4,806	4,446
Deferred tax (<i>note 26</i>)			
— attributable to the origination and reversal of temporary differences	<u>(199)</u>	<u>64</u>	<u>(41)</u>
	<u>4,269</u>	<u>4,870</u>	<u>4,405</u>

(i) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

(ii) PRC enterprise income tax

廣州億恆珠寶有限公司 (translated as Guangzhou Sinoble Jewelry Limited) is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate of 25%. It is entitled to two-year tax exemption for 2007 and 2008 and three-year 50% tax relief for 2009 to 2011.

廣州市億鑽珠寶有限公司 (translated as Guangzhou Yizuan Jewelry Co., Ltd), 廣州芝柏婚慶禮儀服務有限公司 (translated as Guangzhou G.P. Wedding Etiquette Services Limited) and 上海億炫珠寶有限公司 (translated as Shanghai Yixuan Jewelry Limited) are wholly foreign-owned enterprises operated in the PRC with applicable tax rate of 25%.

廣州穗富珠寶有限公司 is a company with limited liability operated and established in the PRC with applicable tax rate of 25%.

(iii) Overseas income tax

Income tax expense for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(iv) Tax effect of share of (loss)/profit of associates

The share of tax charge attributable to associates, amounted to HK\$40,000, HK\$1,165,000 and HK\$2,074,000 for the years ended 31 March 2009, 2010 and 2011 respectively and is included in “Share of (loss)/profit of associates, net” on the face of the combined statements of comprehensive income.

- (b) The income tax expense for the year can be reconciled to the profit/(loss) per the combined statements of comprehensive income as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit/(loss) before income tax	<u>5,603</u>	<u>8,210</u>	<u>(5,455)</u>
Calculated at tax rate of 16.5%	924	1,355	(900)
Tax effect on offshore income and expenditures not subject to Hong Kong profits tax	(5,183)	(2,634)	(4,431)
Tax effect of expenses not deductible for taxation purposes	2,889	238	4,277
Tax effect of non-taxable items	(94)	49	(124)
Tax effect of share of loss/(profit) of associates	1,033	55	(663)
Tax effect on unused tax losses not recognised	4,278	3,594	7,936
Effect of different tax rates of subsidiaries operating in other jurisdictions	24	567	(826)
Under/(over) provision in prior years	887	1,795	(949)
Tax exemption	(718)	—	—
Others	<u>229</u>	<u>(149)</u>	<u>85</u>
Income tax expense	<u>4,269</u>	<u>4,870</u>	<u>4,405</u>

- (c) In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of Privateco Group’s certain leasehold land and buildings during the year 2011 has been charged to other comprehensive income.

11. STAFF COSTS

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Staff costs (including directors) comprise:			
Wages and salaries	102,669	80,850	89,930
Pension contributions (<i>note 13</i>)	735	470	123
Social security costs (<i>note 13</i>)	<u>5,389</u>	<u>3,218</u>	<u>4,141</u>
	<u>108,793</u>	<u>84,538</u>	<u>94,194</u>

12. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Basic salaries, allowance and other benefits <i>HK\$'000</i>	Bonus* <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2009				
Chan Yuen Hing	8,351	—	12	8,363
Tang Chee Kwong	<u>1,910</u>	<u>700</u>	<u>12</u>	<u>2,622</u>
Total	<u>10,261</u>	<u>700</u>	<u>24</u>	<u>10,985</u>
Year ended 31 March 2010				
Chan Yuen Hing	7,229	—	12	7,241
Tang Chee Kwong	<u>2,040</u>	<u>50</u>	<u>12</u>	<u>2,102</u>
Total	<u>9,269</u>	<u>50</u>	<u>24</u>	<u>9,343</u>
Year ended 31 March 2011				
Chan Yuen Hing	7,767	—	12	7,779
Tang Chee Kwong	<u>2,280</u>	<u>—</u>	<u>12</u>	<u>2,292</u>
Total	<u>10,047</u>	<u>—</u>	<u>24</u>	<u>10,071</u>

* The directors of the Privateco are entitled to bonus payments which are determined on a discretionary basis.

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of each of the Relevant Periods.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in Privateco Group, two were directors of Privateco whose emoluments are reflected in the analysis presented above for the Relevant Periods. The emoluments of the remaining three individual for the Relevant Periods were as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Wages and salaries	4,321	3,198	3,560
Pension contributions	<u>36</u>	<u>36</u>	<u>36</u>
	<u><u>4,357</u></u>	<u><u>3,234</u></u>	<u><u>3,596</u></u>

The emolument was within the following bands:

	2009 No. of employees	2010 No. of employees	2011 No. of Employees
Nil–HK\$1,000,000	—	1	—
HK\$1,000,001–HK\$1,500,000	2	2	2
HK\$1,500,001–HK\$2,000,000	<u>1</u>	<u>—</u>	<u>1</u>
	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

(c) No emoluments were paid or payable to any director or the five highest paid individuals as an inducement to join or upon joining Privateco Group or as compensation for loss of office for the Relevant Periods.

13. EMPLOYEE RETIREMENT BENEFIT

Privateco Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of Privateco Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of Privateco Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by Privateco Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefits schemes operated by the PRC Government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of Privateco Group with respect to the retirement benefits schemes operated by the PRC Government is to make the required contributions under the schemes.

Privateco Group's subsidiaries in the United States (the "U.S.") principally participate in a mandatory retirement system under which the subsidiaries contribute to the system a certain percentage of the salaries of its employees. Privateco Group has no further obligations other than making the required contributions.

Save as disclosed above, Privateco Group does not have any other pension schemes for its employees. In the opinion of the directors of Privateco, Privateco Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

14. DIVIDENDS

Dividends payable to owners of Privateco Group attributable to the year:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid	<u>5,434</u>	<u>—</u>	<u>—</u>

The board of directors did not recommend the payment of a final dividend for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

Privateco Group	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and machinery <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At 1 April 2008	23,187	44,477	8,919	2,945	79,528
Additions	11,778	2,947	7,192	176	22,093
Disposals	(2,950)	(309)	(16)	—	(3,275)
Exchange adjustments	<u>403</u>	<u>99</u>	<u>(7)</u>	<u>31</u>	<u>526</u>
At 31 March 2009	32,418	47,214	16,088	3,152	98,872
Additions	—	3,916	3,851	—	7,767
Disposals	—	(47)	(32)	—	(79)
Exchange adjustments	<u>156</u>	<u>45</u>	<u>52</u>	<u>9</u>	<u>262</u>
At 31 March 2010	32,574	51,128	19,959	3,161	106,822
Additions	25,985	5,823	9,878	169	41,855
Revaluation surplus	4,649	—	—	—	4,649
Disposals	—	(130)	—	—	(130)
Exchange adjustments	<u>1,363</u>	<u>495</u>	<u>720</u>	<u>79</u>	<u>2,657</u>
At 31 March 2011	<u>64,571</u>	<u>57,316</u>	<u>30,557</u>	<u>3,409</u>	<u>155,853</u>
Accumulated depreciation:					
At 1 April 2008	412	36,284	7,689	619	45,004
Charge for the year	1,259	3,079	233	738	5,309
Written back on disposal	(310)	(140)	(1)	—	(451)
Exchange adjustments	<u>1</u>	<u>20</u>	<u>(19)</u>	<u>4</u>	<u>6</u>
At 31 March 2009	1,362	39,243	7,902	1,361	49,868
Charge for the year	1,335	2,870	861	643	5,709
Written back on disposal	—	(15)	(12)	—	(27)
Exchange adjustments	<u>11</u>	<u>12</u>	<u>5</u>	<u>4</u>	<u>32</u>
At 31 March 2010	2,708	42,110	8,756	2,008	55,582
Charge for the year	1,648	3,775	4,397	602	10,422
Written back on disposal	—	(24)	—	—	(24)
Eliminated on revaluation	(4,287)	—	—	—	(4,287)
Exchange adjustments	<u>148</u>	<u>182</u>	<u>150</u>	<u>44</u>	<u>524</u>
At 31 March 2011	<u>217</u>	<u>46,043</u>	<u>13,303</u>	<u>2,654</u>	<u>62,217</u>
Net carrying amount:					
At 31 March 2011	<u>64,354</u>	<u>11,273</u>	<u>17,254</u>	<u>755</u>	<u>93,636</u>
At 31 March 2010	<u>29,866</u>	<u>9,018</u>	<u>11,203</u>	<u>1,153</u>	<u>51,240</u>
At 31 March 2009	<u>31,056</u>	<u>7,971</u>	<u>8,186</u>	<u>1,791</u>	<u>49,004</u>

- (a) An analysis of cost and valuation of Privateco Group's property, plant and equipment:

Privateco Group	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and machinery <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Basis of book value					
as at 31 March 2009:					
At valuation	2,048	—	—	—	2,048
At cost	<u>30,370</u>	<u>47,214</u>	<u>16,088</u>	<u>3,152</u>	<u>96,824</u>
	<u>32,418</u>	<u>47,214</u>	<u>16,088</u>	<u>3,152</u>	<u>98,872</u>
Basis of book value					
as at 31 March 2010:					
At valuation	2,048	—	—	—	2,048
At cost	<u>30,526</u>	<u>51,128</u>	<u>19,959</u>	<u>3,161</u>	<u>104,774</u>
	<u>32,574</u>	<u>51,128</u>	<u>19,959</u>	<u>3,161</u>	<u>106,822</u>
Basis of book value					
as at 31 March 2011:					
At valuation	38,586	—	—	—	38,586
At cost	<u>25,985</u>	<u>57,316</u>	<u>30,557</u>	<u>3,409</u>	<u>117,267</u>
	<u>64,571</u>	<u>57,316</u>	<u>30,557</u>	<u>3,409</u>	<u>155,853</u>

- (b) Privateco Group's leasehold land and buildings are located in the PRC, Hong Kong and Japan and all are under medium-term leases.
- (c) Revaluations of the leasehold land and buildings of the Privateco Group as at 31 March 2006 and 31 March 2011 were carried out by Savills Valuation and Professional Services Limited and Avista Valuation Advisory Limited respectively. Both of them are Chartered Surveyors and the revaluations were performed on a market value basis.
- Had these leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts at 31 March 2009, 2010 and 2011 would have been HK\$1,864,000, HK\$1,843,000 and HK\$25,996,000 respectively.
- (d) Privateco Group's leasehold land and buildings with carrying amounts of HK\$10,287,000 and HK\$38,005,000 as at 31 March 2010 and 2011 respectively were pledged to secure bank facilities (note 22).
- (e) Assets held under finance leases

In addition to the leasehold land and buildings classified as being held under a finance lease, Privateco Group leases motor vehicles under finance leases expiring from 2-3 years. None of the leases includes contingent rentals.

At 31 March 2009 and 2010, the net carrying amount of motor vehicles held under finance leases of Privateco Group was HK\$564,000 and HK\$270,000 respectively and the related depreciation charge for the years ended 31 March 2009 and 2010 was HK\$294,000 and HK\$294,000 respectively. At 31 March 2011, Privateco Group did not have any plant and equipment held under finance leases.

16. ASSOCIATES

	Privateco Group		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Share of net assets of associates	30,069	30,536	41,960
Goodwill on acquisition (<i>note (a)</i>)	<u>32,805</u>	<u>32,974</u>	<u>33,207</u>
	<u>62,874</u>	<u>63,510</u>	<u>75,167</u>

Particulars of the principal associates as at 31 March 2011, all of which are unlisted corporate entities are as follows:

Name	Place of incorporation and operations	Attributable equity interest held by Privateco Group	Principal activities
Pesona Noble Jewelry Limited (“Pesona Noble”)	Hong Kong	50%	Trading of jewelry
Noblediam S.L. (“Noblediam”)	Spain	50%	Trading of jewelry
上海城隍珠寶有限公司 (translated as Shanghai Chenghuang Jewelry Limited* (“Chenghuang Jewelry”))	PRC	20%	Operation of a flagship mall and retail outlets
山東嘉億珠寶有限公司 (translated as Shangdong Jiayi Jewelry Limited) (“山東嘉億”)	PRC	30%	Trading of jewelry
杭州城隍珠寶有限公司 (translated as Hangzhou Chenghuang Jewelry Limited) (“杭州城隍”)	PRC	33%	Trading of jewelry

The above table lists the associates of Privateco Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of Privateco Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The financial statements of the above associates are coterminous with those of Privateco Group, except for Chenghuang Jewellery, 山東嘉億 and 杭州城隍 which have financial years ending on 31 December. The combined financial statements of Privateco Group are adjusted for any material transactions between Chenghuang Jewellery, 山東嘉億 and 杭州城隍 and Group companies between 1 January and 31 March. Chenghuang Jewellery, 山東嘉億 and 杭州城隍 uses 31 March as its reporting date to conform with its holding company’s reporting date.

- (a) During the year ended 31 March 2009, Privateco Group acquired 20% equity interests in Chenghuang Jewellery which is engaged in the operation of a flagship mall and retail outlets. During the year ended 31 March 2011, Privateco Group acquired 30% equity interests in 山東嘉億 which was engaged in trading of jewelry. The goodwill arising from the acquisitions of Chenghuang Jewellery and 山東嘉億 were allocated to the cash generating unit (CGU) of the businesses of Chenghuang Jewellery and 山東嘉億 respectively.

At 31 March 2011, the directors reviewed the carrying amounts of the CGU of the businesses of Chenghuang Jewellery and 山東嘉億. The recoverable amounts of the CGU of Chenghuang Jewellery and 山東嘉億 were estimated on a value in use basis using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 12% for the Relevant Periods. As at 31 March 2011, the directors concluded that the recoverable amount is higher than their carrying value. Accordingly, no impairment loss was recognised for the Relevant Periods.

(b) The summarised financial information in respect of Privateco Group's associates is set out below:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Total assets	251,783	281,164	357,551
Total liabilities	<u>(121,077)</u>	<u>(148,214)</u>	<u>(171,656)</u>
Net assets	<u>130,706</u>	<u>132,950</u>	<u>185,895</u>
Revenue	<u>505,523</u>	<u>432,609</u>	<u>39,857</u>
(Loss)/profit for the year	<u>(663)</u>	<u>11,245</u>	<u>29,612</u>

17. INTANGIBLE ASSETS

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At beginning of year	2,697	—	—
Impairment loss recognised	<u>(2,697)</u>	<u>—</u>	<u>—</u>
At end of year	<u>—</u>	<u>—</u>	<u>—</u>

Intangible assets represent the perpetual licence for the use of the brand name "Chad Allison Designs", patent rights on products' designs, distribution channels and customer lists.

The intangible assets with indefinite life were stated at cost less accumulated impairment.

During the year ended 31 March 2009, Privateco Group assessed the fair value of the intangible assets based on cash flow forecasts and made a provision for impairment loss of HK\$2,697,000 which was charged to profit or loss for the year.

18. OTHER ASSETS

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash surrender value of life insurance contract	<u>—</u>	<u>2,110</u>	<u>2,161</u>

Privateco Group purchased a life insurance contract in May 2009 for the chief executive officer, Mr. Tang Chee Kwong.

The total insured amount is US\$750,000 (approximately HK\$5.8 million). The contract will mature on the date when the insured reaches the age of 100 or death of the insured and the beneficiary is designated to Privateco Group.

19. INVENTORIES

	Privateco Group		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Raw materials	60,731	74,622	139,569
Work in progress	20,101	32,210	29,125
Finished goods	<u>169,783</u>	<u>157,349</u>	<u>191,116</u>
	<u>250,615</u>	<u>264,181</u>	<u>359,810</u>

The analysis of the amount of inventories recognised as an expense in note 8 is as follows:

	Privateco Group		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of inventories sold	484,616	383,270	491,355
(Reversal of write-down)/write-down of inventories	<u>(270)</u>	<u>139</u>	<u>318</u>
	<u>484,346</u>	<u>383,409</u>	<u>491,673</u>

20. ACCOUNTS RECEIVABLE

	Privateco Group		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Accounts receivable	113,069	114,023	144,525
Less: Allowance for bad and doubtful debts	<u>(5,814)</u>	<u>(10,340)</u>	<u>(11,537)</u>
	<u>107,255</u>	<u>103,683</u>	<u>132,988</u>

- (a) Privateco Group normally allows a credit period ranging from 15 to 180 days to its customers.
- (b) All of the accounts receivable (net of allowance for bad and doubtful debts) are expected to be recovered within one year.
- (c) An ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) is as follows:

	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Within 1 month	30,026	32,678	37,996
Over 1 month but within 3 months	25,209	37,670	50,118
Over 3 months but within 6 months	27,315	21,856	31,765
Over 6 months but within 1 year	23,331	10,301	11,828
Over 1 year	<u>1,374</u>	<u>1,178</u>	<u>1,281</u>
	<u>107,255</u>	<u>103,683</u>	<u>132,988</u>

- (d) The movements in the allowance for bad and doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At beginning of year	4,580	5,814	10,340
Impairment loss recognised, net (<i>note 8</i>)	2,094	4,524	1,195
Bad debts written off	(849)	—	—
Exchange adjustment	(11)	2	2
	<u>5,814</u>	<u>10,340</u>	<u>11,537</u>
At end of year	<u>5,814</u>	<u>10,340</u>	<u>11,537</u>

Privateco Group's accounts receivable of HK\$3,217,000, HK\$6,509,000 and HK\$5,536,000 at 31 March 2009, 2010 and 2011 respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. Privateco Group does not hold any collateral over these balances.

In addition, provisions of HK\$2,597,000, HK\$3,831,000 and HK\$6,001,000 have been made for estimated irrecoverable amounts from the sale of goods for the years ended 31 March 2009, 2010 and 2011 respectively. These provisions have been determined by reference to past default experience.

- (e) An ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Neither past due nor impaired	<u>35,818</u>	<u>41,714</u>	<u>52,573</u>
Past due within 1 month	11,613	7,179	25,210
Past due over 1 month but within 3 months	2,762	1,123	11,894
Past due over 3 months but within 6 months	9,351	2,912	660
Past due over 6 months but within 1 year	<u>908</u>	<u>271</u>	<u>506</u>
	<u>24,634</u>	<u>11,485</u>	<u>38,270</u>
	<u>60,452</u>	<u>53,199</u>	<u>90,843</u>

Accounts receivable that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

- (f) Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with Privateco Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. Privateco Group does not hold any collateral over these balances.
- (g) Privateco Group's accounts receivable of HK\$1,538,000, HK\$173,000 and HK\$590,000 as at 31 March 2009, 2010 and 2011 respectively were discounted to a bank with recourse. Privateco Group continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing.

21. CASH AT BANKS AND IN HAND

Cash at banks and in hand are denominated in the following currencies:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
U.S. dollars	5,094	11,029	3,592
British Pounds	947	2,827	1,611
Renminbi	<u>3,769</u>	<u>4,571</u>	<u>6,537</u>

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of Privateco Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. BORROWINGS

	Privateco Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdrafts repayable on demand — secured	6,457	9	4,942
Portion of term loans from banks due for repayment within one year — secured	35,805	29,555	63,309
Portion of term loans from banks due for repayment after one year which contain a repayable on demand clause — secured	22,851	14,408	19,969
Other loan due for repayment within 6 months — secured	—	—	4,317
Discounted bills and recourse due for repayment within 6 months — secured	1,538	173	590
Trust receipts and export loans due for repayment within 6 months — secured	<u>93,462</u>	<u>100,024</u>	<u>164,937</u>
	<u>160,113</u>	<u>144,169</u>	<u>258,064</u>

The interest-bearing borrowings, including the term loans repayable on demand, are carried at amortised cost.

Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the bank loans are as follows:

	Privateco Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Term loans due for repayment within one year	<u>35,805</u>	<u>29,555</u>	<u>63,309</u>
Term loans due for repayment after one year:			
After 1 year but within 2 years	9,726	12,075	4,997
After 2 years but within 5 years	13,125	2,333	10,992
After 5 years	<u>—</u>	<u>—</u>	<u>3,980</u>
	<u>22,851</u>	<u>14,408</u>	<u>19,969</u>
	<u><u>58,656</u></u>	<u><u>43,963</u></u>	<u><u>83,278</u></u>

Notes:

- (a) The interest-bearing borrowings, including the term loans repayable on demand, are carried at amortised cost.
- (b) Privateco Group's banking facilities at 31 March 2009, 2010 and 2011 amounting to HK\$308,733,000, HK\$315,420,000 and HK\$316,339,000 respectively, of which HK\$160,112,000, HK\$144,160,000 and HK\$258,064,000 have been utilised as at 31 March 2009, 2010 and 2011 respectively.
- (c) At 31 March 2010 and 2011, banking facilities are secured by the pledge of Privateco Group's leasehold land and buildings with carrying amounts of HK\$10,287,000 and HK\$38,005,000 respectively (note 15).
- (d) Borrowings of Privateco Group during Relevant Periods were secured by certain corporate guarantees provided by Privateco.
- (e) The maturity date of the discounted bills recourse is within 3 to 6 months from inception date of the discounted bills.

23. ACCOUNTS PAYABLE

An ageing analysis of accounts payable of Privateco Group is as follows:

	Privateco Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	8,555	35,654	25,652
Over 1 month but within 3 months	3,896	39,628	38,171
Over 3 months but within 6 months	20,989	34,300	43,425
Over 6 months	<u>14,021</u>	<u>2,768</u>	<u>5,546</u>
	<u><u>47,461</u></u>	<u><u>112,350</u></u>	<u><u>112,794</u></u>

All of the accounts payable are expected to be settled within one year.

24. OBLIGATIONS UNDER FINANCE LEASES

Privateco Group leased certain of its motor vehicles. Such assets were generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often Privateco Group had the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments were due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
At 31 March 2009			
Not later than 1 year	132	13	119
Later than 1 year and not later than 5 years	<u>44</u>	<u>4</u>	<u>40</u>
	<u>176</u>	<u>17</u>	<u>159</u>
At 31 March 2010			
Not later than 1 year	<u>44</u>	<u>4</u>	<u>40</u>

The present value of future lease payments are analysed as:

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current liabilities	119	40	—
Non-current liabilities	<u>40</u>	<u>—</u>	<u>—</u>
	<u>159</u>	<u>40</u>	<u>—</u>

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Derivative financial instruments that are not designated in hedge accounting relationships			
— Forward foreign currency contracts	—	(74)	—
— Interest rate swap contract	<u>—</u>	<u>194</u>	<u>31</u>
	<u>—</u>	<u>120</u>	<u>31</u>

The notional principal amount of the outstanding interest rate swap contract at 31 March 2010 and 2011 was HK\$15,000,000 and HK\$5,000,000 respectively. At 31 March 2010, the notional principal amount of the outstanding forward foreign currency contract was HK\$37,200,000. At 31 March 2009, Privateco Group did not hold any forward foreign currency contracts.

In addition, Privateco Group has entered into various forward foreign currency contracts to manage its exchange rates exposures which did not meet the criteria for hedge accounting. During the year ended 2010, the changes in the fair value of non-hedging currency derivatives amounting to gain of HK\$74,000 were charged to profit or loss. No changes in the fair value of non-hedging currency derivatives in 2009 and 2011.

26. DEFERRED TAX

(a) The movement for the year in the net deferred tax assets/(liabilities) is as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At 1 April	1,824	1,105	1,041
Credit/(charge) to profit or loss (<i>note 10</i>)	199	(64)	41
Charge to equity	(918)	—	(2,099)
At 31 March	<u>1,105</u>	<u>1,041</u>	<u>(1,017)</u>

(b) The movement in deferred tax liabilities and assets (prior to offsetting of balances with the same taxation jurisdiction) during the Relevant Periods is as follows:

Deferred tax liabilities	(Accelerated)/ decelerated			Total <i>HK\$'000</i>	
	Revaluation of properties <i>HK\$'000</i>	tax depreciation <i>HK\$'000</i>	Others <i>HK\$'000</i>		
At 1 April 2008	—	(282)	(193)	(475)	
Credit to profit or loss	—	219	193	412	
At 31 March 2009	—	(63)	—	(63)	
Credit to profit or loss	—	63	—	63	
At 31 March 2010	—	—	—	—	
Charge to profit or loss	—	(338)	—	(338)	
Charge to equity	(2,099)	—	—	(2,099)	
At 31 March 2011	<u>(2,099)</u>	<u>(338)</u>	<u>—</u>	<u>(2,437)</u>	
Deferred tax assets	Decelerated tax depreciation <i>HK\$'000</i>	Provision <i>HK\$'000</i>	Cash flow hedges <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	—	267	918	1,114	2,299
Charge to profit or loss	—	—	—	(213)	(213)
Debit to equity	—	—	(918)	—	(918)
At 31 March 2009	—	267	—	901	1,168
Credit/(charge) to profit or loss	96	—	—	(223)	(127)
At 31 March 2010	96	267	—	678	1,041
(Charge)/credit to profit or loss	(96)	(89)	—	564	379
At 31 March 2011	<u>—</u>	<u>178</u>	<u>—</u>	<u>1,242</u>	<u>1,420</u>

- (c) For the purpose of presentation of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Deferred tax assets	1,168	1,041	1,420
Deferred tax liabilities	<u>(63)</u>	<u>—</u>	<u>(2,437)</u>
	<u>1,105</u>	<u>1,041</u>	<u>(1,017)</u>

- (d) At 31 March 2009, 2010 and 2011, Privateco Group has unused tax losses arising in the U.S. of US\$3,276,000, US\$5,760,000 and US\$7,926,000 respectively that can be carried forward for offsetting against its future taxable profits.

No deferred tax assets have been recognised for the Relevant Periods as the availability of future taxable profit to utilise the temporary differences is not probable.

27. SHARE CAPITAL

For the purpose of the presentation of the combined statements of financial position, the share capital at 31 March 2009, 2010 and 2011 represents the share capital of the companies comprising the Privateco Group, after adjusting the share capital held by the companies within the Privateco Group.

Name of Company	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Noble Jewelry (BVI) Limited ("NJBVI")	<u>156</u>	<u>156</u>	<u>156</u>

28. RESERVES

Privateco Group

The amounts of Privateco Group's reserves and the movements therein for the current and prior years are presented in the combined statements of changes in equity on page II-6 of the Financial Information.

The nature and purposes of reserves are set out below.

Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by NJBVI in exchange therefor. This reserve is distributable.

Capital reserve

The capital reserve represents the value of forward liabilities arising from Privateco Group's derivative financial instruments — forward foreign currency contracts which were novated to a company wholly owned by a shareholder without any consideration in prior year.

Revaluation reserve

Revaluation reserve represents the cumulative net change in the fair value of leasehold land and buildings held at the end of reporting period and are dealt with in accordance with the accounting policy set out in note 4(e).

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(m).

29. DISPOSAL OF A SUBSIDIARY

On 13 November 2008, Privateco Group disposed of its entire interest in a subsidiary, Trinity Hong Kong Company Limited.

The net assets of Trinity Hong Kong Company Limited at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Deposit	2
Amount due from a shareholder	4
Cash and bank balances	10
Other payables	<u>(15)</u>
	1
Gain on disposal	<u>5</u>
	6
Deferred consideration	<u><u>6</u></u>

Deferred consideration of disposal of a subsidiary was included in the amount due from a related party as at 31 March 2009.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash and cash balances disposed of and in respect of the disposal of subsidiary	<u><u>10</u></u>

30. OPERATING LEASE COMMITMENTS**As lessor**

Privateco Group sub-leases its leased factory under operating lease arrangements, with leases negotiated for terms ranging from 6 months to two years. The terms of the leases generally require the tenants to pay security deposits.

At the end of reporting period, Privateco Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 1 year	<u>—</u>	<u>—</u>	<u>65</u>

As lessee

Privateco Group lease their office premises, warehouses and retail outlets under operating lease arrangements. Lease for office premises are negotiated for terms ranging from one to ten years at fixed rentals.

The lease payments recognised in profit or loss are as follows:

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Operating lease rentals			
— minimum leases payments	9,336	9,318	14,705
— contingent rent	<u>—</u>	<u>—</u>	<u>682</u>
	<u>9,336</u>	<u>9,318</u>	<u>15,387</u>

At the end of reporting period, Privateco Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Privateco Group		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 1 year	8,848	7,524	8,579
In the 2 to 5 years inclusive	9,361	5,840	12,905
Later than 5 years	<u>—</u>	<u>642</u>	<u>7,232</u>
	<u>18,209</u>	<u>14,006</u>	<u>28,716</u>

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and a contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales in these retail shops could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, Privateco Group had the following capital commitments at the end of reporting period:

	Privateco Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:			
Payment of construction cost	550	—	2,261
Interest in associates	2,382	2,394	5,585
	<u>2,932</u>	<u>2,394</u>	<u>7,846</u>

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these Financial Information, during the Relevant Periods, Privateco Group entered into the following significant transactions with its related parties:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recurring transactions			
Sale of goods to Noblediam (<i>note i</i>)	21,254	15,309	10,854
Sale of goods to Pesona Noble (<i>note i</i>)	2,270	1,145	4,783
Sale of goods to Chenghuang Jewellery (<i>note i</i>)	111	177	985
Sale of goods to 山東嘉億 (<i>note i</i>)	—	—	739
Management fees received from Noblediam (<i>note ii</i>)	117	93	160
Management fees received from Pesona Noble (<i>note ii</i>)	240	240	240
Rental, utilities charges and building management fees paid to Guangzhou Weile Jewelry Park Company Limited ("Guangzhou Weile") in which Mr. Chan Yuen Hing, a director and shareholder of the ultimate holding company of Privateco ("Mr. Chan"), has beneficial interests (<i>note iii</i>)	382	491	3,755
Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan has beneficial interests (<i>note iii</i>)	200	16	334
Rental expenses paid to Chenghuang Jewellery (<i>note iii</i>)	159	254	40
Rental expenses paid to Italina (Guangzhou) Jewelry Co., Ltd., in which Mr. Yau Siu Ying, John, a substantial shareholder of immediate holding company of Privateco, has beneficial interests (<i>note iii</i>)	—	—	2,110
Interest income from Glorious (China) Limited ("GCL"), a non-controlling shareholder of a subsidiary (<i>note 32(c)(i)</i>)	—	—	378
	<u>—</u>	<u>—</u>	<u>378</u>

Notes:

- (i) Sale of goods was determined at cost of materials and production cost plus a percentage of mark-up.
- (ii) Management fee income received was agreed by both parties at a fixed sum or cost incurred.
- (iii) The rental, utilities charges and building management fees were paid pursuant to the respective lease agreements.

In the opinion of the directors, the above transactions were conducted on normal business terms and in the ordinary course of the business of Privateco Group.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Wages and salaries	18,152	14,692	14,714
Pension contributions	<u>121</u>	<u>109</u>	<u>80</u>
	<u><u>18,273</u></u>	<u><u>14,801</u></u>	<u><u>14,794</u></u>

Further details of directors' emoluments are included in note 12(a).

(c) Balances with related parties

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Amounts due from related parties			
Noblediam	7,958	12,680	10,842
GCL (<i>note i</i>)	—	8,043	4,975
Noble Enterprises Limited, a company in which a director of Privateco is a controlling shareholder	12	13	36
Chenghuang Jewellery	—	—	8
Party Time Limited, a non-controlling shareholder of a subsidiary	—	5	5
A family member of the director of Privateco	6	6	—
Trendy Jewelry Limited, an associate in liquidation	705	—	—
Worldmart License Holdings Limited (formerly known as Ijewelry.com Limited), a company in which a director of Privateco was a controlling shareholder, deregistered on 18 September 2009	19	—	—
	<u>8,700</u>	<u>20,747</u>	<u>15,866</u>
Amounts due to related parties			
Mr. Zhao De Hau, an ex-independent non-executive director of immediate holding company of Privateco	3,515	—	—
Pesona Noble	848	1,066	389
	<u>4,363</u>	<u>1,066</u>	<u>389</u>

Note:

- (i) The balances at 31 March 2010 and 2011 include a loan of US\$1,000,000 and US\$500,000 respectively (equivalent to HK\$7,746,000 and HK\$3,873,000 respectively) which is interest bearing at the prime rate per annum granted by the Hongkong and Shanghai Banking Corporation Limited, but not lower than 5% per annum and not higher than 7% per annum. The loan is repayable at the end of three years from the date of granting the loan or after the subsistence of the subsidiary's business, whichever is the earlier. At 31 March 2010, the loan was secured by approximately US\$500,000 jewelry inventories of GCL. Privateco Group do not hold any security on the loan to GCL as at 31 March 2011.

Except for the loan to GCL, other balances maintained with the related parties were unsecured, interest-free and had no fixed repayment terms.

- (d) Amount due to immediate holding company is unsecured, interest free and has no fixed repayment terms.
- (e) In November 2008, Privateco Group disposed of its entire equity interest of a subsidiary, Trinity Hong Kong Limited to a family member of Mr. Chan.
- (f) In February 2009, Privateco Group acquired 4% equity interest of Chenghuang Jewellery from Mr. Zhou Dehua, an ex-independent non-executive director of the immediate holding company of Privateco. The consideration for the interest of an associate is approximately HK\$10,044,000.

33. CAPITAL RISK MANAGEMENT

Privateco Group's objective of managing capital is to safeguard Privateco Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of Privateco Group consists of debts, which includes the borrowings disclosed in the note 22, cash at banks and in hand and equity attributable to owners of Privateco, comprising share capital and reserves and retained earnings as disclosed in notes 27 and 28 respectively.

Privateco Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, Privateco Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The net debt-to-adjusted capital ratio at the end of reporting period was as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Debts	160,113	144,169	258,064
Less: Cash at banks and in hand	<u>(14,211)</u>	<u>(27,331)</u>	<u>(14,174)</u>
Net debt	<u>145,902</u>	<u>116,838</u>	<u>243,890</u>
Equity	171,320	175,561	176,975
Amount due to immediate holding company	<u>82,914</u>	<u>82,826</u>	<u>82,273</u>
Adjusted equity	<u>254,234</u>	<u>258,387</u>	<u>259,248</u>
Net debt to equity ratio	<u>57%</u>	<u>45%</u>	<u>94%</u>

34. FINANCIAL RISK MANAGEMENT

The main risks arising from Privateco Group's financial instruments are credit risk, foreign exchange risk, liquidity risk, interest rate risk and price risk. These risks are evaluated and monitored by Privateco Group in accordance with the financial management policies and practices described below.

(a) Credit risk

Privateco Group has no significant concentrations of credit risk. It has policies in place to ensure that goods are sold to customers with appropriate credit history and Privateco Group performs credit evaluation of its customers. Privateco Group also has policies that limit the amount of credit exposure to any financial institution.

Privateco Group's credit risk is primarily attributable to its accounts receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Accounts receivable are due within 15 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, Privateco Group does not obtain collateral from customers.

Further quantitative disclosures in respect of Privateco Group's exposure to credit risk arising from accounts receivable are set out in note 20.

(b) Liquidity risk

Privateco Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of Privateco Group's borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date Privateco Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

Privateco Group	Maturity analysis — Undiscounted cash outflows									
	31 March 2009			31 March 2010			31 March 2011			
	On demand	Within 1 year	More than 1 year but less than 2 years	Total undiscounted cash outflows	On demand	Within 1 year	Total undiscounted cash outflows	On demand	Within 1 year	Total undiscounted cash outflows
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings subject to a repayable on demand clause	160,113	—	—	160,113	144,169	—	144,169	258,064	—	258,064
Accounts payable	—	47,461	—	47,461	—	112,350	112,350	—	112,794	112,794
Other payables and accrued charges	—	43,641	—	43,641	—	45,398	45,398	—	74,673	74,673
Amounts due to related parties	4,363	—	—	4,363	1,066	—	1,066	389	—	389
Amount due to immediate holding company	82,914	—	—	82,914	82,826	—	82,826	82,273	—	82,273
Obligations under finance leases	—	119	40	159	—	40	40	—	—	—
Derivative financial instruments	—	—	—	—	—	120	120	—	31	31
	<u>247,390</u>	<u>91,221</u>	<u>40</u>	<u>338,651</u>	<u>228,061</u>	<u>157,908</u>	<u>385,969</u>	<u>340,726</u>	<u>187,498</u>	<u>528,224</u>

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in page II-38. Taking into account Privateco Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis — Term loans subject to a repayment on demand clause based on scheduled repayments

Privateco Group	On demand	Within 6 months	More than	More than	More than	More than 5 years	Total undiscounted cash flows
			6 months but within 1 year	1 year but less than 2 years	2 years but less than 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2011	<u>4,942</u>	<u>227,995</u>	<u>5,471</u>	<u>5,241</u>	<u>11,337</u>	<u>4,695</u>	<u>259,681</u>
31 March 2010	<u>9</u>	<u>122,509</u>	<u>8,265</u>	<u>10,658</u>	<u>4,022</u>	<u>—</u>	<u>145,463</u>
31 March 2009	<u>6,457</u>	<u>121,441</u>	<u>8,360</u>	<u>11,909</u>	<u>13,636</u>	<u>—</u>	<u>161,803</u>

(c) Interest rate risk

Privateco Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose Privateco Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of Privateco Group's borrowings at the end of reporting period.

	2009		2010		2011	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	HK\$'000	%	HK\$'000	%	HK\$'000
Variable rate borrowings						
Bank overdrafts	5.25% to 5.50%	6,457	5.25% to 5.50%	9	5.25% to 5.50%	4,942
Bank loans	1.71% to 3.18%	58,656	1.35% to 4.75%	43,963	1.60% to 4.76%	83,278
Other loan	N/A	—	N/A	—	4.2%	4,317
Discounted bills with recourse	N/A	1,538	N/A	173	N/A	590
Trust receipts and export loans	1.60% to 4.79%	<u>93,462</u>	1.66% to 1.94%	<u>100,024</u>	2.16% to 2.55%	<u>164,937</u>
		<u>160,113</u>		<u>144,169</u>		<u>258,064</u>
Fixed rate borrowing						
Obligation under finance leases	4.5%	<u>159</u>	4.5%	<u>40</u>	N/A	<u>—</u>

At 31 March 2009, 2010 and 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase Privateco Group's profit after income tax and retained profits by approximately HK\$765,000, HK\$468,000 and HK\$838,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis is performed on the same basis for the Relevant Periods.

(d) Foreign exchange risk

Privateco Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars ("USD"), British Pounds ("GBP"), Euros ("EUR"), Japanese Yen ("JPY") and China Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the Relevant Periods, the Group entered into certain forward foreign currency contracts. The purpose is to manage the currency risks arising from the Group's operations. At 31 March 2010, the Group held forward foreign currency contracts with fair value of HK\$74,000, which are not designated in hedging accounting relationships (note 25).

The following table details Privateco Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	USD '000	GBP '000	EUR '000	RMB '000	JPY '000
As at 31 March 2009					
Accounts receivable	15,329	451	50	75,044	32,143
Other receivables, deposits and prepayments	134	10	13	406	2,982
Amounts due from related parties	—	—	39	—	—
Cash at banks and in hand	462	17	22	952	39
Borrowings	(2,147)	—	—	—	—
Accounts payable	(1,848)	—	—	—	—
Other payables and accrued charges	(211)	(14)	—	(8)	(94)
Net exposure	<u>11,719</u>	<u>464</u>	<u>124</u>	<u>76,394</u>	<u>35,070</u>
As at 31 March 2010					
Accounts receivable	9,993	1,595	163	6,102	169,624
Other receivables, deposits and prepayments	425	283	—	8,400	—
Amounts due from related parties	1,121	1,021	—	—	—
Cash at banks and in hand	1,512	211	48	4,011	—
Borrowings	(1,131)	—	—	(7,208)	—
Accounts payable	(8,929)	—	—	(2,414)	—
Other payables and accrued charges	(1,133)	(115)	(1)	(9,172)	—
Derivative financial instruments	(14)	—	—	(14)	—
Net exposure	<u>1,844</u>	<u>2,995</u>	<u>210</u>	<u>(295)</u>	<u>169,624</u>
As at 31 March 2011					
Accounts receivable	13,222	573	457	8,910	32,547
Other receivables, deposits and prepayments	320	166	—	6,491	—
Amounts due (to)/from related parties	(36)	821	—	(2,031)	—
Cash at banks and in hand	514	48	87	5,395	370
Borrowings	(7,322)	(47)	—	(12,673)	—
Accounts payable	(9,268)	—	—	(1,266)	—
Other payables and accrued charges	(1,774)	(36)	(932)	(6,605)	—
Derivative financial instruments	(14)	—	—	—	—
Net exposure	<u>(4,358)</u>	<u>1,525</u>	<u>(388)</u>	<u>(1,779)</u>	<u>32,917</u>

The following table indicates the approximate change in Privateco Group's profit after income tax and retained profits and other components of combined equity in response to reasonably possible changes in the foreign exchange rates to which Privateco Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

Privateco Group	Increase/ (decrease) in foreign exchange rate	2009	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rate	2010	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rate	2011	Effect on other components of equity HK\$'000
		Effect on profit for the year end retained profits HK\$'000			Effect on profit for the year end retained profits HK\$'000			Effect on loss for the year end retained profits HK\$'000	
USD	5%	8,308	—	5%	(758)	—	5%	(1,992)	—
	(5%)	(8,308)	—	(5%)	758	—	(5%)	1,992	—
GBP	10%	2,763	—	10%	935	—	10%	493	—
	(10%)	(2,763)	—	(10%)	(935)	—	(10%)	(493)	—
EUR	10%	128	—	10%	222	—	10%	179	—
	(10%)	(128)	—	(10%)	(222)	—	(10%)	(179)	—
RMB	10%	9,541	—	10%	1,211	—	10%	(434)	—
	(10%)	(9,541)	—	(10%)	(1,211)	—	(10%)	434	—
JPY	10%	278	—	10%	179	—	10%	307	—
	(10%)	(278)	—	(10%)	(179)	—	(10%)	(307)	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit/(loss) for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2010 and 2009.

(e) Price risk

Privateco Group is engaged in trading of jewelry. The jewelry markets were influenced by global as well as regional supply and demand conditions. A change in prices of gold and diamond could significantly affect Privateco Group's financial performance. Privateco Group historically did not use any commodity derivative instrument to hedge the potential price fluctuations of gold and diamond, however, Privateco Group will closely monitor its exposure to the price of gold and diamond and will consider using commodity derivative instrument to hedge against its exposure as and when appropriate.

Privateco Group is not exposed to any equity securities risk.

(f) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011, 2010 and 2009.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of Privateco Group's financial assets and financial liabilities as recognised at the end of each Relevant Periods may be categorised as follows:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash at banks and in hand)	<u>145,242</u>	<u>174,993</u>	<u>173,949</u>
Financial liabilities			
Financial liabilities measured at amortised cost	324,933	382,929	509,069
Derivative financial liabilities at fair value	<u>—</u>	<u>120</u>	<u>31</u>

The following provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Input for the asset or liability that are not based on observable market data (unobservable input).

As at 31 March 2011, Privateco Group's forward foreign currency contracts are measured at fair value. In accordance with HKFRS 7, the fair value is based on Level 2 fair value measurement hierarchy.

36. EVENT AFTER THE REPORTING PERIOD

- (a) On 31 August 2011, Privateco's wholly-owned subsidiary, 廣州市億鑽珠寶有限公司 (translated as Guangzhou Yizuan Jewelry Co., Ltd), disposed of its property in the PRC to 廣州市福平物業管理有限公司 (translated as Guangzhou Fuping Property Management Co., Ltd), an independent third party, for a cash consideration of HK\$23,400,000 (the "Disposal of Property") and the gain on disposal was approximately HK\$5,900,000.
- (b) On 10 July 2011, Privateco's wholly-owned subsidiary, Noble Jewelry Limited, disposed of certain plant and equipment to an independent third party for a cash consideration of HK\$6,549,000 (the "Disposal of Plant and Equipment") and the gain on disposal was approximately HK\$6,510,000 upon completion.
- (c) On 7 September 2011, the shareholders of the Company and Resources Rich Capital Limited, as purchaser, entered into an agreement in respect of the acquisition of 72.05% interest of the Company. The agreement is conditional upon, among other things, the completion of the Group Reorganisation. As part of the Group Reorganisation, the Privateco Group proposed to transfer certain of jewelry manufacture and trading business in the PRC to the Company (the "Retained Businesses").

The financial information relevant to the Retained Businesses for the Relevant Periods is disclosed as follows:

Assets and liabilities at 31 March 2009, 2010 and 2011

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	13,360	13,739	15,190
Deposits	1,257	—	—
Inventories	30,236	32,191	42,951
Accounts receivable	7,374	7,002	10,983
Other receivables, deposits and prepayments	3,374	7,434	5,400
Amounts due from related parties	5,505	2,812	—
Cash at banks and in hand	2,547	2,127	4,618
Borrowings	—	—	(13,366)
Accounts payable	(59)	(945)	(88)
Other payables and accrued charges	(16,204)	(5,624)	(3,574)
Amounts due to related parties	(3,515)	(4,382)	(28)
Amount due to intermediate holding company	(14,000)	(14,000)	(14,000)
Deferred tax liabilities	—	—	(293)
	<u>29,875</u>	<u>40,354</u>	<u>47,793</u>
Net assets attributable to Privateco Group			
Less			
Amounts due to other group companies of Privateco Group*	<u>(22,091)</u>	<u>(35,716)</u>	<u>(42,042)</u>
	<u><u>7,784</u></u>	<u><u>4,638</u></u>	<u><u>5,751</u></u>

* The amounts due to other group companies within the Privateco Group represented (i) the outstanding intra-group balances between the Retained Businesses and other group companies of Privateco Group as at 31 March 2009, 2010 and 2011; and (ii) the considerations (the “Considerations”) for proposed transfer of all equity interest in the PRC entities held by the Retained Businesses to other group companies of Privateco Group, as set out in the Group Reorganisation. The Considerations have been reflected in the above amounts as if the proposed transfer of all equity interest in the PRC entities was completed at 31 March 2011, except for the consideration of RMB3,300,000 for capital injection of RMB3,300,000 to the PRC entities made by the Retained Businesses subsequent to 31 March 2011.

Comprehensive income for the Relevant Periods

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	57,931	38,834	58,075
Cost of sales	<u>(49,532)</u>	<u>(34,106)</u>	<u>(50,969)</u>
Gross profit	8,399	4,728	7,106
Other revenue	2,151	847	2,179
Distribution costs	(4,504)	(4,217)	(7,077)
Administrative expenses	(1,788)	(3,487)	(1,533)
Other gains and losses	—	—	(114)
Finance costs	<u>(25)</u>	<u>(44)</u>	<u>(335)</u>
Profit/(loss) before income tax	4,233	(2,173)	226
Income tax expenses	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(loss) for the year	<u>4,233</u>	<u>(2,173)</u>	<u>226</u>
Other comprehensive income			
Exchange differences on translating foreign operations	729	53	1,455
Surplus on revaluation of leasehold land and buildings	<u>—</u>	<u>—</u>	<u>878</u>
Other comprehensive income for the year	<u>729</u>	<u>53</u>	<u>2,333</u>
Total comprehensive income for the year	<u><u>4,962</u></u>	<u><u>(2,120)</u></u>	<u><u>2,559</u></u>

Cash flows for the Relevant Periods

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit/(loss) for the year	4,233	(2,173)	226
Adjustments for			
Depreciation of property, plant and equipment	667	1,009	1,712
Loss on disposal of property, plant and equipment	—	8	—
Interest income	(446)	—	—
Interest expenses	—	24	328
Operating cash flows before working capital	4,454	(1,132)	2,266
Inventories	(4,706)	(1,955)	(10,760)
Accounts receivable	6,299	372	(3,981)
Other receivables, deposits and prepayments	3,077	(4,060)	2,034
Amounts due from related parties	(4,799)	5,505	(3,426)
Accounts payable	(64)	886	(857)
Other payables and accrued charges	15,078	(10,483)	(2,147)
Amounts due to related companies	3,515	867	147
Amounts due to other group companies of Privateco Group	(13,811)	10,609	7,221
Effect of change in foreign exchange rate	(51)	(28)	175
Cash from operations	8,992	581	(9,328)
Interest paid	—	(24)	(328)
Net cash from operating activities	8,992	557	(9,656)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	—	22	98
Payments to acquire property, plant and equipment	(12,976)	(91)	(1,471)
Deposits paid for acquisition of non-current assets	(1,257)	—	—
Interest received	446	—	—
Net cash from investing activities	(13,787)	(69)	(1,373)
Cash flows from financing activities			
New bank loans raised	—	—	13,366
Net (decrease)/increase in cash and cash equivalents	(4,795)	488	2,337
Effect of change in foreign exchange rate	—	(910)	155
Cash and cash equivalents at beginning of the year	7,343	2,548	2,126
Cash and cash equivalents at end of year	2,548	2,126	4,618

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in Privateco Group have been prepared in respect of any period subsequent to 31 March 2011.”

3. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP AND THE ACCOUNTANTS' REPORT THEREON

Reproduced below are the unaudited pro forma financial information of the Privateco Group and the accountants' report thereon, assuming that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, which were prepared for the purpose of the Circular. Capitalised terms used in this section shall have the same meanings as those defined in the accountants' report contained in Appendix VI to the Circular and for the purposes of this section, "Remaining Privateco Group" refers to the NJIL Group.

“(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma combined statement of financial position, pro forma combined statement of comprehensive income and pro forma combined statement of cash flows (collectively referred to as the “Privateco Pro Forma Financial Information”) of Remaining Privateco Group, which have been prepared on the basis of notes set out below for the purpose of illustrating the effect of the proposed reorganisation of the Group and distribution in specie, as if the Group Reorganisation and Distribution In Specie was taken place on 31 March 2011 for the pro forma combined statement of financial position and as if the Group Reorganisation and Distribution In Specie had taken place at the commencement of the year ended 31 March 2011 for the pro forma combined statement of comprehensive income and pro forma combined statement of cash flows.

This unaudited Privateco Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements, estimations and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of Privateco Group as at 31 March 2011 or at any future date or the results and cash flows of Privateco Group for the year ended 31 March 2011 or for any future period.

The unaudited Pro Forma Financial Information of Remaining Privateco Group should be read in conjunction with the accountants' report on Privateco Group and other financial information included elsewhere in this circular.

(I) Unaudited pro forma combined statement of financial position of the Remaining Privateco Group

The unaudited pro forma combined statement of financial position of Remaining Privateco Group as at 31 March 2011 has been prepared based on the audited combined statement of financial position of Privateco Group as at 31 March 2011, which is extracted from the Accountants' report of the Privateco Group as set out in Appendix II, after making pro forma adjustments relating to the Group Reorganisation and Distribution In Specie that are directly attributable to the transaction and factually supportable.

	Privateco Group as at 31 March 2011		Pro forma adjustments						Pro forma Remaining Privateco Group as at 31 March 2011
	HKS'000	HKS'000 (Note 1)	HKS'000 (Note 2)	HKS'000 (Note 3)	HKS'000 (Note 4)	HKS'000 (Note 5)	HKS'000 (Note 6)	HKS'000 (Note 7)	HKS'000
Non-current assets									
Property, plant and equipment	93,636	(15,190)				597			79,043
Associates	75,167								75,167
Other assets	2,161								2,161
	<u>170,964</u>								<u>156,371</u>
Current assets									
Inventories	359,810	(42,951)			18,571				335,430
Accounts receivable	132,988	(10,983)							122,005
Other receivables, deposits and prepayments	15,810	(5,400)							10,410
Amounts due from related parties	15,866								15,866
Cash at banks and in hand	14,174	(4,618)						(16,427)	(6,871)
	<u>538,648</u>								<u>476,840</u>
Current liabilities									
Borrowings	258,064	(13,366)							244,698
Accounts payable	112,794	(88)							112,706
Other payables and accrued charges	74,673	(3,574)							71,099
Amount due to a related party	389	(28)	28						389
Amount due to immediate holding company	82,273	(14,000)	(42,070)	(1,800)	18,571	597	(27,144)	(16,427)	—
Amount due to Remaining Privateco Group	—	(42,042)	42,042						—
Derivative financial instruments	31								31
Tax payable	3,396								3,396
	<u>531,620</u>								<u>432,319</u>
Net current assets	<u>7,028</u>								<u>44,521</u>
Total assets less current liabilities	<u>177,992</u>								<u>200,892</u>
Non-current liabilities									
Deferred tax liabilities	1,017	(293)							724
Net assets	<u>176,975</u>								<u>200,168</u>

	Privateco Group as at 31 March 2011							Pro forma Remaining Privateco Group as at 31 March 2011	
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	Pro forma adjustments		HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000
Equity									
Share capital	156								156
Reserves	<u>176,819</u>	(5,751)		1,800			27,144		<u>200,012</u>
Total equity	<u>176,975</u>								<u>200,168</u>

Notes:

- (1) The adjustment, which is extracted from the note 36(c) to the Financial Information of Privateco Group as set out in Appendix II, represents the exclusion of the assets and liabilities attributable to the Retained Businesses, assuming the Group Reorganisation and Distribution In Specie was taken place on 31 March 2011.
- (2) The adjustment represents the reinstatement of the balances between Remaining Privateco Group and Retained Businesses as at 31 March 2011, assuming the Group Reorganisation and Distribution In Specie was taken place on 31 March 2011.
- (3) The adjustment represents the promissory note receivable in amount of HK\$1,800,000 for internal transfer of the entire interest of Sinoble Jewelry Limited (“Sinoble HK”) from Noble Jewelry Limited (a group company of Privateco Group) to immediate holding company. Sinoble HK forms part of the Retained Businesses.
- (4) The adjustment represents the transfer of inventories of Retained Businesses held for retail to the Remaining Privateco Group at net carrying amount.
- (5) The adjustment represents the transfer of leasehold improvements of Retained Businesses in the premises at 廣州市番禺區沙灣鎮福龍路999號沙灣珠寶產業園內13座 (“B3”), other than those in relation to Zone A on the first floor of B3, to the Remaining Privateco Group at net carrying amount.
- (6) The adjustment represents the promissory note receivable in amount of HK\$27,144,000 as initial capital of Privateco contributed by immediate holding company.
- (7) The adjustment represents the cash settlement of the outstanding intra-group balances between the Remaining Privateco Group and the immediate holding company upon the completion of the Group Reorganisation.
- (8) Except for the Group Reorganisation, no adjustment has been made to reflect any trading result or other transaction of the Privateco Group or the Retained Businesses entered into subsequent to 31 March 2011.

(II) Unaudited pro forma combined statement of comprehensive income of Remaining Privateco Group

The unaudited pro forma combined statement of comprehensive income of Remaining Privateco Group has been prepared based on the audited combined statement of comprehensive income of Privateco Group for the year ended 31 March 2011, which is extracted from the Accountants' Report of the Privateco Group as set out in Appendix II, after making pro forma adjustments relating to the Group Reorganisation and Distribution In Specie that are directly attributable to the transaction and factually supportable.

	Audited results of Privateco Group for the year ended 31 March 2011	Pro forma adjustments	Pro forma results of Remaining Privateco Group for the year ended 31 March 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 9)</i>	
Turnover	643,399	(58,075)	585,324
Cost of sales	<u>(491,673)</u>	50,969	<u>(440,704)</u>
Gross profit	151,726		144,620
Other revenue	7,941	(2,179)	5,762
Distribution costs	(43,587)	7,077	(36,510)
Administrative expenses	(119,420)	1,533	(117,887)
Other gains and losses	339	114	453
Finance costs	(6,472)	335	(6,137)
Share of profit of associates, net	<u>4,018</u>		<u>4,018</u>
Loss before income tax	(5,455)		(5,681)
Income tax expense	<u>(4,405)</u>		<u>(4,405)</u>
Loss for the year	<u>(9,860)</u>		<u>(10,086)</u>
Other comprehensive income			
Surplus on revaluation of leasehold land and buildings	6,837	(878)	5,959
Exchange differences on translating foreign operations	<u>2,597</u>	(1,455)	<u>1,142</u>
Other comprehensive income for the year, net of tax	<u>9,434</u>		<u>7,101</u>
Total comprehensive income for the year	<u>(426)</u>		<u>(2,985)</u>

Notes:

- (9) The adjustment, which is extracted from the note 36(c) to the Financial Information of Privateco Group as set out in Appendix II, represents the exclusion of the income and expenses attributable to the Retained Businesses, assuming the Group Reorganisation and Distribution In Specie had been taken place at the commencement of the year ended 31 March 2011.

(III) *Unaudited pro forma combined statement of cash flows of Remaining Privateco Group*

The unaudited pro forma combined statement of cash flows of Remaining Privateco Group has been prepared based on the audited combined statement of cash flows of Privateco Group for the year ended 31 March 2011, which is extracted from the Accountants' Report of the Privateco Group as set out in Appendix II, after making pro forma adjustments relating to the Group Reorganisation and Distribution In Specie that are directly attributable to the transaction and factually supportable.

	Audited cash flows of Privateco Group for the year ended 31 March 2011			Pro forma adjustments			Pro forma cash flows of Remaining Privateco Group for the year ended 31 March 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 10)	(Note 11)	(Note 12)			
Cash flows from operating activities							
Loss before income tax	(5,455)		(226)				(5,681)
Adjustments for:							
Share of profit of associates, net	(4,018)						(4,018)
Depreciation of property, plant and equipment	10,422		(1,712)				8,710
Provision for bad and doubtful debts, net	1,195						1,195
Write-down of inventories	318						318
Net fair value losses of forward foreign currency contracts and interest rate swap contract not qualifying as hedges	31						31
Bank interest income	(449)						(449)
Interest expenses	4,878		(328)				4,550
Operating cash flows before working capital	6,922						4,656
Increase in inventories	(96,763)		10,760				(86,003)
Increase in accounts receivables	(30,500)		3,981				(26,519)
Decrease in other receivables, deposits and prepayments	12,993		(2,034)				10,959
Decrease in amounts due from related parties	4,881		3,426				8,307
Increase in accounts payable	444		857				1,301
Increase in other payables and accrued charges	29,275		2,147				31,422
Decrease in amounts due to related parties	(677)		(147)				(824)
Decrease in amount due to immediate holding company	(553)			(11,153)	11,706		—
Increase in amounts due to other group companies of Privateco Group	—		(7,221)	7,221			—
Effect of change in foreign exchange rate	2,795		(175)				2,620

	Audited cash flows of Privateco Group for the year ended 31 March 2011				Pro forma adjustments			Pro forma cash flows of Remaining Privateco Group for the year ended 31 March 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Note 10)	(Note 11)	(Note 12)	HK\$'000
Cash used in operations	(71,183)							(54,081)
Income tax paid	(2,381)							(2,381)
Interest element of finance lease payments	(1)							(1)
Interest paid	<u>(4,877)</u>	328						<u>(4,549)</u>
Net cash used in operating activities	<u>(78,442)</u>							<u>(61,012)</u>
Cash flows from investing activities								
Proceeds from disposal of property, plant and equipment	106	(98)						8
Payments to acquire property, plant and equipment	(41,855)	1,471						(40,384)
Capital contribution from non-controlling shareholders	1,029							1,029
Interest received	449							449
Acquisition of associates, net cash acquisition	<u>(8,619)</u>							<u>(8,619)</u>
Net cash used in investing activities	<u>(48,890)</u>							<u>(47,517)</u>
Cash flows from financing activities								
Increase in trust receipts and other loans	69,647							69,647
Repayment of finance lease obligations	(40)							(40)
New bank loans raised	49,506	(13,366)						36,140
Repayment of bank loans	(10,191)							(10,191)
Capital contribution	<u>—</u>		3,932					<u>3,932</u>
Net cash generated from financing activities	<u>108,922</u>							<u>99,488</u>
Net decrease in cash and cash equivalents	(18,410)							(9,041)
Effect of change in foreign exchange rate	320	(155)						165
Cash and cash equivalents at beginning of year	<u>27,322</u>	(2,126)				(22,236)		<u>2,960</u>
Cash and cash equivalents at end of year	<u>9,232</u>							<u>(5,916)</u>

Notes:

- (10) The adjustment, which is extracted from the note 36(c) to the Financial Information of Privateco Group as set out in Appendix II, represents the exclusion of the cash flows attributable to the Retained Businesses, assuming the Group Reorganisation and Distribution In Specie had been taken place at the commencement of the year ended 31 March 2011.
- (11) The adjustment represents the reinstatement of the cash flows among Remaining Privateco Group, Retained Businesses and their related parties for the year ended 31 March 2011, assuming the Group Reorganisation and Distribution In Specie had been taken place at the commencement of the year ended 31 March 2011.
- (12) The adjustment represents (i) the cash settlement of the outstanding intra-group balances of HK\$33,207,000 between the Remaining Privateco Group and the immediate holding company as at 31 March 2010, after taking into consideration the transfer of inventories and leasehold improvements of the Retained Business to the Remaining Privateco Group with carrying amounts of HK\$17,939,000 and HK\$34,000 respectively at 31 March 2010 and issue of promissory notes receivables of HK\$1,800,000 and HK\$27,144,000 for internal transfer of Sinoble HK and initial capital of Privatco respectively; and (ii) reversal of cash movements between the Remaining Privateco Group and the immediate holding company during the year ended 31 March 2011, assuming the Group Reorganisation and Distribution In Specie had been taken place at the commencement of the year ended 31 March 2011.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING PRIVATECO GROUP

To the Board of Directors of Noble Jewelry Holdings Limited

We report on the unaudited pro forma financial information of Noble Jewelry Investment Limited ("Privateco") and its subsidiaries (hereinafter collectively referred to the "Privateco Group"), comprising unaudited pro forma combined statement of financial position as at 31 March 2011, unaudited pro forma combined statement of comprehensive income and unaudited pro forma combined statement of cash flows for the year ended 31 March 2011, which has been prepared by the directors of the Noble Jewelry Holdings Limited (the "Company") for illustrative purposes only, to provide information about how the Group Reorganisation and Distribution In Specie (Privateco Group excluding the Retained Businesses hereinafter referred to as "Remaining Privateco Group") might have affected the financial information presented, for inclusion in Appendix VI to the circular dated 30 September 2011 (the "Circular").

The basis of preparation of the unaudited pro forma financial information is set out on the page VI-1 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the

adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Privateco Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of Privateco Group as at 31 March 2011 or any future date;
or
- the results and cash flows of Privateco Group for the year ended 31 March 2011 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Privateco Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.”

4. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2011, for the purpose of this indebtedness statement, the NJIL Group had borrowings of approximately HK\$277.4 million in which (i) HK\$260.1 million borrowings were unsecured and guaranteed from Noble Jewelry and certain of its subsidiaries within the Noble Jewelry Group; and (ii) HK\$17.3 million borrowings were secured by the pledge of the NJIL Group's leasehold land and buildings with carrying amounts of HK\$25.5 million and guarantees by Noble Jewelry.

As at 31 August 2011, the NJIL Group had capital expenditure contracted but not provided in respect of payment of construction costs of approximately HK\$1.0 million.

As at 31 August 2011, the NJIL Group's total future minimum lease payments under non-cancellable operating leases in respect of rented office premises, warehouses and retail outlets amounted to approximately HK\$22.4 million.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, as at the close of business on 31 August 2011, the NJIL Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances (other than normal trade payables) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance creditors or hire purchase or finance lease commitments, guarantees or contingent liabilities.

5. MATERIAL CHANGE

Save for the effects of the Group Reorganisation and the Distribution In Specie as set out in the Circular and that the NJIL Group is only engaged in the Distributed Businesses pursuant to the completion of the Group Reorganisation and Distribution In Specie, the NJIL Directors were not aware of any material changes in the financial or trading position or outlook of the NJIL Group subsequent to 31 March 2011, being the date to which the audited consolidated financial statements of NJIL set out in the accountants' report on NJIL in Appendix II to this Composite Document was made up.

Set out below is a summary of certain provisions of the of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of NJIL (referred to as the “Privateco”) which has been adopted on 19 November 2011.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Privateco is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Privateco is an exempted company as defined in the Companies Act 1981 of Bermuda. The Memorandum of Association also sets out the objects for which the Privateco was formed which are unrestricted and that the Privateco has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Privateco will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act 1981 of Bermuda, the Memorandum of Association empowers the Privateco to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of directors of the Privateco (the “board” or “Directors”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Privateco may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act 1981 of Bermuda and to any special rights conferred in the holders of any shares or attaching to any class of shares, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Privateco or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Privateco before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Privateco on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act 1981 of Bermuda, the Bye-laws, any direction that may be given by the Privateco in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Privateco shall be at the disposal of the board, which may offer, allot, grant options over or otherwise

dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Privateco nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Privateco or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Privateco or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Privateco and which are not required by the Bye-laws or the Companies Act 1981 of Bermuda to be exercised or done by the Privateco in general meeting and this includes the power to dispose of the assets of the Privateco.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Privateco in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act 1981 of Bermuda contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Privateco

Neither the Privateco nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Privateco for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act 1981 of Bermuda.

(vi) Disclosure of interests in contracts with the Privateco or any of its subsidiaries

A Director may hold any other office or place of profit with the Privateco (except that of auditor of the Privateco) in conjunction with his office of Director for such period and, subject to the Companies Act 1981 of Bermuda, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Privateco or any other company in which the Privateco may be interested, and shall not be liable to account to the Privateco or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Privateco to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act 1981 of Bermuda and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Privateco, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Privateco or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Privateco shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Privateco or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Privateco or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Privateco or any other company which the Privateco may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Privateco by virtue only of his/their interest in shares or debentures or other securities of the Privateco ;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five per cent. (5%). or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Privateco or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Privateco in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Privateco or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Privateco or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Privateco or companies with which it is associated in business) in establishing and making contributions out of the Privateco's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Privateco or any of its subsidiaries) and ex-employees of the Privateco and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous

paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Privateco and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Privateco by way of qualification.

A Director may be removed by an ordinary resolution of the Privateco before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Privateco) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two (2). To the extent applicable, at least one-third of Directors shall be independent non-executive directors and at least one independent non-executive director shall have the appropriate professional qualifications or accounting or related financial management expertise (as defined in the Listing Rules). There is no maximum number of Directors unless otherwise determined from time to time by members of the Privateco.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Privateco for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Privateco or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Privateco to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Privateco and, subject to the Companies Act 1981 of Bermuda, to issue debentures, bonds and other securities of the Privateco, whether outright or as collateral security for any debt, liability or obligation of the Privateco or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Privateco.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Privateco in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Privateco.

(c) Alteration of capital

The Privateco may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act 1981 of Bermuda:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Privateco may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act 1981 of Bermuda, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act 1981 of Bermuda, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution majority required

A special resolution of the Privateco must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution,

has been duly given, or by a resolution in writing signed by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company. Except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hand every member present in person or (being a corporation) by its duly authorised representative, or by proxy shall have one vote and on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by way of a poll is demanded by (i) the chairman of such meeting, or (ii) at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting, or (iii) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting, or (iv) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Privateco conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Privateco it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Privateco or at any meeting of any class of members of the Privateco provided that, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be

entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Any member that has a material interest (as defined in the Listing Rules) in the transaction or arrangement which is subject to resolution(s) of the Privateco shall abstain from voting on the resolution(s) approving such transaction or arrangement and shall not be reckoned in any quorum at the general meeting.

(g) Requirements for annual general meetings

An annual general meeting of the Privateco must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Privateco, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Privateco and of all other matters required by the provisions of the Companies Act 1981 of Bermuda or necessary to give a true and fair view of the Privateco's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act 1981 of Bermuda, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Privateco except as conferred by law or authorised by the board or the Privateco in general meeting.

Subject to the Companies Act 1981 of Bermuda, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Privateco under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Privateco at the annual general meeting in accordance with the requirements of the Companies Act 1981 of Bermuda (and in any event no more than four months after the end of the financial year to which they relate) provided that this provision shall not require a copy of those documents to be sent to any person whose address the Privateco is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, the Privateco may send to such persons

summarised financial statements derived from the Privateco's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Privateco, demand that the Privateco sends to him, in addition to summarised financial statements, a complete printed copy of the Privateco's annual financial statement and the directors' report thereon.

Subject to the Companies Act 1981 of Bermuda, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Privateco and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Privateco shall, during his continuance in office, be eligible to act as an auditor of the Privateco. The remuneration of the auditor shall be fixed by the Privateco in general meeting or in such manner as the members may determine.

The financial statements of the Privateco shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members

in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act 1981 of Bermuda.

Unless any share is issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists or any share is transferred to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Privateco has a lien, the Board shall not refuse to register a transfer of any share (being a fully paid up share) to any person.

The board may decline to recognise any instrument of transfer unless the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Privateco to purchase its own shares

The Bye-laws supplement the Privateco's Memorandum of Association (which gives the Privateco the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit provided that the total number of shares that the Privateco may purchase or otherwise acquire shall not exceed 10 per cent. (10%) of the total issued share capital of the Privateco as at the date of the relevant resolution of the Board. Any purchase, acquisition or otherwise by the Privateco of its own shares exceeding 10 per cent. (10%) of the total

issued share capital of the Privateco as at the date of the relevant resolution of the Board approving such purchases, acquisitions or otherwise shall be subject to approval by the members by an ordinary resolution.

(l) Power for any subsidiary of the Privateco to own shares in the Privateco

There are no provisions in the Bye-laws relating to ownership of shares in the Privateco by a subsidiary. However this is permitted under Bermuda law.

(m) Dividends and other methods of distribution

Subject to the Companies Act 1981 of Bermuda, the Privateco in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Privateco in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act 1981 of Bermuda). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Privateco unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Privateco on or in respect of any shares all sums of money (if any) presently payable by him to the Privateco on account of calls or otherwise.

Whenever the board or the Privateco in general meeting has resolved that a dividend be paid or declared on the share capital of the Privateco, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Privateco may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Privateco that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Privateco in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Privateco until claimed and the Privateco shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Privateco .

(n) Proxies

Any member of the Privateco entitled to attend and vote at a meeting of the Privateco is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Privateco or at a class meeting. A proxy need not be a member of the Privateco. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Privateco may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Privateco all monies which, at the date of forfeiture, were payable by him to the Privateco in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act 1981 of Bermuda, unless the register is closed in accordance with the Companies Act 1981 of Bermuda.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Privateco under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Privateco be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Privateco shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act 1981 of Bermuda, divide among the members in specie or kind the whole or any part of the assets of the Privateco whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of

members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Reserved Matters

No connected transactions (as defined in the Listing Rules effective as at the date of adoption of the Bye-laws) may be undertaken by the Privateco unless (1) it is a transaction on normal commercial terms in the ordinary and usual course of business (as defined in the Listing Rules) of the Privateco or its subsidiaries; or (2) it is a transaction (or a series of transactions within a 12-month period or are otherwise related) involving any acquisition(s) or disposal(s) of assets (or securities or an interest in one particular company or group of companies or parts of one asset) with total assets (as calculated in accordance with the Listing Rules) and the total revenue attributable to such asset(s) is (a) less than five per cent. (5%) of that as shown in the latest audited accounts of the Privateco and its subsidiaries; or (b) less than twenty-five per cent. (25%) of that as shown in the latest audited accounts of the Privateco and its subsidiaries provided that the total consideration of the relevant transaction(s) is less than HK\$10,000,000; or (3) it is made subject to the approval of disinterested member(s), if any, by way of ordinary resolution in general meeting. Where any such transaction requiring approval of disinterested member(s) is proposed for consideration by the members, the board shall prepare and send a notice convening the general meeting accompanied by a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction and the advice of an independent financial adviser as to whether the transaction is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Privateco and the members as a whole.

Notwithstanding any provision contained in the Bye-laws and without prejudice to the above paragraph, no transaction which is not a connected transaction involving acquisition or disposal of assets with (i) an aggregate value of more than twenty-five per cent. (25%) of the value of the total assets (as calculated in accordance with the Listing Rules) as shown on the latest audited accounts of the Privateco and its subsidiaries, or (ii) the revenue attributable to the assets which are the subject of the relevant transaction being more than twenty-five per cent. (25%) of that as shown on the latest audited accounts of the Privateco and its subsidiaries, or (iii) the profits attributable to the assets which are the subject of the relevant transaction being more than twenty-five per cent. (25%) of that as shown on the latest audited accounts of the Privateco and its subsidiaries may be undertaken by the Privateco, unless it is made subject to the approval of the member(s) by way of ordinary resolution in general meeting. Where any such transaction requiring approval of the members is proposed for consideration by the members, the Board shall prepare and send, together with the notice convening the general meeting, a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to

such transaction. So long as the proposed transaction falling to be considered under this paragraph is not subject to the paragraph above regarding connected transactions, the requirement as to approval by the members shall be satisfied without holding a general meeting if (i) no member is required to abstain from voting if the Privateco were to convene a special general meeting for the approval of the non-connected transaction; and (ii) a member, or group of members, holding more than fifty per cent. (50%) of the shares and being entitled to receive notice of and to attend and vote at general meetings of the Privateco, has or have given written notice(s) to the board confirming its or their approval of the proposed transaction.

The Directors shall obtain the approval of the members by way of ordinary resolution in general meeting prior to allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities. However, no such consent shall be required (i) for the allotment, issue or grant of such shares or securities pursuant to an offer made to the members, excluding for that purpose any member who is resident in a place where such offer is not permitted under the law of that place or where there are, in the opinion of the Directors, unduly onerous restrictions under the law of that place and where appropriate, to holders of other equity securities of the Privateco entitled to be offered them, in proportion (apart from fractional entitlements) to their then holdings; or (ii) if, but only to the extent that, the existing members have by ordinary resolution given a general mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares or securities allotted or agreed to be allotted must not exceed in aggregate twenty per cent. (20%) of the issued share capital of the Privateco in issue from time to time.

(u) Untraceable members

The Privateco may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Privateco has not during that time received any indication of the existence of the member; and (iii) the Privateco has caused an advertisement to be published in newspapers giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement. The net proceeds of any such sale shall belong to the Privateco and upon receipt by the Privateco of such net proceeds, it shall become indebted to the former member of the Privateco for an amount equal to such net proceeds.

(v) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act 1981 of Bermuda, if warrants to subscribe for shares have been issued by the Privateco and the Privateco does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Privateco is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act 1981 of Bermuda and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Privateco in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Privateco in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Privateco. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three fourths of the votes cast by such members of the Privateco as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Privateco is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 1981 of Bermuda provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to

be called the “share premium account”, to which the provisions of the Companies Act 1981 of Bermuda relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act 1981 of Bermuda permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act 1981 of Bermuda includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its Bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act 1981 of Bermuda as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act 1981 of Bermuda. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act 1981 of Bermuda.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act 1981 of Bermuda to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company,

as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act 1981 of Bermuda contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act 1981 of Bermuda requires that every officer should comply with the Companies Act 1981 of Bermuda, regulations passed pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act 1981 of Bermuda or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act 1981 of Bermuda requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act 1981 of Bermuda requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by

the Minister of Finance of Bermuda under the Companies Act 1981 of Bermuda; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act 1981 of Bermuda. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or

his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act 1981 of Bermuda). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act 1981 of Bermuda which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act 1981 of Bermuda, establish a branch register outside Bermuda. Any branch register of members

established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act 1981 of Bermuda require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act 1981 of Bermuda, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act 1981 of Bermuda for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Privateco's legal advisers on Bermuda law, have sent to the Privateco a letter summarising certain provisions of the memorandum of association and proposed bye-laws of the Privateco and certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act 1981 of Bermuda, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IV. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENTS

The information contained in this Composite Document (other than that relating to First Prospect) is supplied by the NJIL Directors. The NJIL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to First Prospect) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to First Prospect, the terms and conditions of the NJIL Offer and First Prospect's intention regarding the NJIL Group is supplied by First Prospect. The sole director of First Prospect accepts full responsibility for the accuracy of the information contained in this Composite Document relating to First Prospect and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of NJIL as at the Latest Practicable Date were as follows:

HK\$

Authorised:

<u>300,000,000</u>	NJIL Shares	<u>3,000,000.00</u>
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Issued and fully paid or credited as fully paid:

1	NJIL Share allotted and issued on 16 September 2011 being the date of incorporation of NJIL	0.01
273,609,999	NJIL Shares allotted and issued on 28 September 2011	2,736,099.99
273,610,000	NJIL Shares as at the Latest Practicable Date	2,736,100.00

All NJIL Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

Save for the 273,610,000 NJIL Shares in issue as at the Latest Practicable Date, the NJIL Group did not have any other NJIL Shares, or outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the NJIL Shares.

3. MARKET PRICES

As the NJIL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the NJIL Shares quoted on the Stock Exchange or any other stock exchanges.

4. SHAREHOLDINGS AND DEALINGS

Interests in NJIL

As at the Latest Practicable Date, the interests of the NJIL Directors in the share capital of NJIL were as follows:

Name	Type of interest	Number of NJIL Shares	Approximate percentage of the issued share capital of NJIL
Mr. Chan	Interest in controlled corporations and family interest	172,902,000 (Note 1)	63.19
Mr. Tang Chee Kwong	Beneficial owner and family interest	5,202,000 (Note 2)	1.90

Notes:

- (1) 172,900,000 NJIL Shares are held by First Prospect and 2,000 NJIL Shares are held by Ms. Chiu Nga Fong, Marisa. Mr. Chan is the sole director and shareholder of First Prospect. Ms. Chiu Nga Fong, Marisa is the spouse of Mr. Chan.
- (2) This includes 4,702,000 NJIL Shares beneficially owned by Mr. Tang Chee Kwong and 500,000 NJIL Shares held by his spouse.

Save as disclosed in this section, none of the NJIL Directors had any other interests in the NJIL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in NJIL.

As at the Latest Practicable Date, Mr. Tang Chee Kwong has indicated his intention to accept the NJIL Offer in respect of his own beneficial shareholdings in NJIL. As Mr. Chan is the sole beneficial owner of First Prospect (i.e. the offeror of the NJIL Offer), the NJIL Offer will not be extended to him.

As at the Latest Practicable Date, the shareholdings in NJIL in which First Prospect and its ultimate beneficial owner and sole director are interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) were as follows:

Name	Type of interest	Number of NJIL Shares	Approximate percentage of the issued share capital of NJIL
First Prospect	Beneficial owner	172,900,000	63.19
Mr. Chan	Interest in controlled corporation and family interest	172,902,000 (Note 1)	63.19

Notes:

1. The entire issued share capital of First Prospect is owned by Mr. Chan. Mr. Chan is deemed to be interested in all the 172,900,000 NJIL Shares in which First Prospect is interested.

Mr. Chan is also deemed to be interested in 2,000 NJIL Shares (being approximately 0.0% of the issued share capital of NJIL) owned by his spouse, Ms. Chiu Nga Fong, Marisa.

2. Ms. Chan Lai Yung (Mr. Chan's sister, a party "acting in concert" with Mr. Chan within the meaning of the Takeovers Code) and her spouse are interested in an aggregate of 3,238,000 NJIL Shares (being approximately 1.18% of the issued share capital of NJIL).

Save as disclosed in this section, neither First Prospect nor its sole director had any other interests in the NJIL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in NJIL.

Interests in First Prospect

As at the Latest Practicable Date, NJIL did not have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of First Prospect and had not dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of First Prospect during the Relevant Period.

Save as disclosed in the section headed "Interests in NJIL" in this appendix, as at the Latest Practicable Date, none of the NJIL Directors had any other interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of First Prospect.

Dealings in securities of NJIL

During the Relevant Period, none of the NJIL Directors had dealt for value in NJIL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the NJIL Shares.

During the Relevant Period, save for the Distribution In Specie under which an aggregate of 176,140,000 NJIL Shares were issued to First Prospect and parties acting in concert with it, none of First Prospect, its sole director or parties acting in concert with any of them had dealt in the NJIL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the NJIL Shares.

During the Relevant Period, none of First Prospect, its sole director and ultimate beneficial owner and parties acting in concert with any of them, have borrowed or lent any NJIL Shares or other securities of NJIL carrying voting rights, or convertible securities, warrants, options or derivatives of NJIL.

Furthermore, during the Relevant Period,

- (a) none of the subsidiaries of NJIL, pension funds of the NJIL Group or advisers to NJIL as specified in class (2) of the definition of associate under the Takeovers Code, including the Joint Independent Financial Advisers, had any dealings in any NJIL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the NJIL Shares;
- (b) no fund managers connected with NJIL had any dealings in any NJIL Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into NJIL Shares.

Dealings in securities of First Prospect

During the Relevant Period, none of the NJIL Directors had any dealings in shares of First Prospect, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of First Prospect.

Miscellaneous

As at the Latest Practicable Date,

- (a) no shareholding in NJIL was owned or controlled by a subsidiary of NJIL or by a pension fund of any member of the NJIL Group or by an adviser to NJIL as specified in class (2) of the definition of associate under the Takeovers Code or by the Joint Independent Financial Advisers and their associates (as defined in the Listing Rules);
- (b) save for the Distribution In Specie, no person had any arrangement of the kind described in note 8 to Rule 22 of the Takeovers Code with NJIL or any person who is an associate of NJIL by virtue of classes (1), (2), (3) and (4) of

- the definition of associate under the Takeovers Code and no such person had dealt in any NJIL Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into NJIL Shares during the Relevant Period;
- (c) none of First Prospect, its ultimate beneficial owner or any person acting in concert with any of them had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;
 - (d) no shareholding in NJIL was managed on a discretionary basis by fund managers connected with NJIL;
 - (e) save and except that Mr. Tang Chee Kwong has indicated his intention to accept the NJIL Offer in respect of his own beneficial shareholding of 4,702,000 NJIL Shares, First Prospect did not receive any indication or irrevocable commitment from any Independent NJIL Shareholder to accept or reject the NJIL Offer;
 - (f) no benefit (other than statutory compensation) would be given to any NJIL Director as compensation for loss of office or otherwise in connection with the NJIL Offer;
 - (g) there was no agreement, arrangement or understanding (including any compensation arrangement) between First Prospect, its ultimate beneficial owner or any person acting in concert with any of them and any director, recent director, shareholder or recent shareholder of NJIL which had any connection with or dependence upon the NJIL Offer;
 - (h) there was no material contracts entered into by First Prospect or its ultimate beneficial owner in which any NJIL Director has any material personal interest;
 - (i) there is no service contract with NJIL or any of its subsidiaries or associated companies in force for the NJIL Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within six months before the commencement of the NJIL Offer period; (ii) which is continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period;
 - (j) save for the completion of the Share Sale Agreement and the Distribution In Specie, there was no agreement or arrangement to which First Prospect or its ultimate beneficial owner is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the NJIL Offer;
 - (k) none of NJIL nor any of the NJIL Directors had borrowed or lent any NJIL Shares; and

- (l) there was no agreement or arrangement between any NJIL Director and any other person which is conditional on or dependent upon the outcome of the NJIL Offer or otherwise connected with the NJIL Offer.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by NJIL or any of its subsidiaries) have been entered into by members of the NJIL Group within the two years preceding 9 September 2011, being the date of commencement of the offer period (as defined in the Takeovers Code), and are or may be material:

- (a) the lease agreement entered into between Guangzhou Sinoble (as landlord) and Guangzhou Yizuan (as tenant) dated 21 September 2011 in respect of the leasing of a staff dormitory located at Pan Yu, Guangzhou, the PRC for 12 months from 1 September 2011 to 31 August 2012 at a rental of RMB18,000 per month;
- (b) the settlement contract dated 24 August 2011 entered into between Noble Jewelry Limited, Noble Jewelry Limited (a company incorporated in the US) and Chad Allison Corporation (being wholly-owned subsidiaries of NJIL) and the US Customs Services in relation to the settlement of the dispute in relation to customs duties payable for purchases from these subsidiaries of NJIL by a payment of US\$3.85 million;
- (c) the sale and purchase agreement dated 5 June 2011 entered into between Noble Jewelry Limited, a wholly-owned subsidiary of NJIL (as the vendor) and an independent third party (as the purchaser) in relation to disposal of certain plant and equipment at a cash consideration of RMB5,500,000;
- (d) the agreement dated 3 June 2011 entered into by Guangzhou Yizuan, a wholly-owned subsidiary of NJIL (as the vendor) with 廣州市福平物業管理有限公司 (translated as Guangzhou Fuping Property Management Co., Ltd), an independent third party (as the purchaser) in relation to the sale and purchase of a property situated at No. 4 and 6 of 3rd Street, Xiangping Road, Xiaoping Community District, Shiqiao Town, Pan Yu District, Guangzhou, the PRC, at a consideration of RMB19.5 million, details of which are set out in the announcement of Noble Jewelry dated 3 June 2011;
- (e) the loan agreement dated 28 September 2010 entered into between Noble Jewelry Limited, a wholly-owned subsidiary of NJIL (as the lender) and G. P. Wedding Etiquette Services Limited, a then 51%-owned subsidiary of Noble Jewelry, (as the borrower) in respect of a loan of HK\$5,700,000 at a prime rate as quoted by Hongkong and Shanghai Banking Corporation Limited from time to time and payable in full, together with interest, on the maturity date of 31 March 2011 or earlier without penalty or prepayment fee. Principal terms of the loan agreement are set out in the announcement of Noble Jewelry dated 28 September 2010;

- (f) the provisional agreement dated 12 August 2010 entered into between Noble Jewelry Limited, a wholly-owned subsidiary of NJIL (as the purchaser) and C. Art Limited, an independent third party of Noble Jewelry (as the vendor) in relation to the sale and purchase of a property situated at Hok Yuen Street, Kowloon, Hong Kong at a cash consideration of HK\$24,672,000, details of which are set out in the announcement of the Company dated 12 August 2010; and
- (g) the capital increase agreement dated 10 May 2010 entered into between Grandpower Holdings Limited, a wholly-owned subsidiary of NJIL, and Glorious (China) Limited, the joint venture partner, in relation to the increase in the registered capital and investment amount of N. A. Marketing Limited, a joint venture company of Noble Jewelry from US\$5,000 to US\$15,000 and from US\$500,000 to US\$1,550,000, respectively. Principal terms of the capital increase agreement are set out in the announcement of Noble Jewelry dated 10 May 2010.

6. LITIGATION

Reference is made to a dispute with the US Customs Services in relation to customs duties payable for purchases from certain of Noble Jewelry's wholly-owned subsidiaries, as disclosed in the annual report 2011 of Noble Jewelry (note 32 to the financial statements of Noble Jewelry) and the announcement of Noble Jewelry dated 12 August 2011. In 2010, the US Customs Service (the "US Government") initiated an investigation on the payment of customs duties for shipments to the US on certain group companies (the "US Group Companies"). The investigation mainly related to a dispute over the payment of customs duties for the purchases from the US Group Companies from 1998 to 2010. On 24 August 2011, the US Group Companies reached a final settlement of US\$3,850,000 (equivalent to HK\$29,837,000) with the US Government.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the NJIL Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the NJIL Directors to be pending or threatened by or against any member of the NJIL Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Document:

Name	Qualification
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman	Bermuda Barristers & Attorneys
Investec	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Messis Capital Limited	A corporation licensed to conduct Type 6 (advising on corporate finance) activity under the SFO
Veda Capital Limited	A corporation licensed to conduct Type 6 (advising on corporate finance) activity under the SFO

Each of the experts named above have given and have not withdrawn their respective written consents to the issue of this Composite Document, with the inclusion of their letters or reports (as the case may be) or references to their names in the form and context in which they are respectively included.

8. GENERAL

- (a) First Prospect is wholly owned by Mr. Chan. The board of directors of First Prospect comprises one director, namely Mr. Chan. The registered office of First Prospect is 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands and the correspondence address of Mr. Chan is Unit M, 12/F, Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong.
- (b) The registered office of NJIL is Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda and its principal place of business in Hong Kong is Unit M, 12/F, Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong.
- (c) The registered address of Investec is at Room 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (d) The registered address of MESSIS Capital Limited is at Room 2002, 20/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (e) The registered address of Veda Capital Limited is at Suite 3214, 32/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

- (f) The securities to be acquired in pursuance to the NJIL Offer will not be transferred, charged or pledged to any other persons.
- (g) The English text of each of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at Unit M, 12/F, Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of NJIL (www.noble.com.hk) from the date of this Composite Document up to and including the close of the NJIL Offer:

- (a) the Memorandum of Association and Bye-laws of NJIL;
- (b) the Memorandum and Articles of Association of First Prospect;
- (c) the letter from Investec, the text of which is set out on pages 9 to 14 of this Composite Document
- (d) the letter from the NJIL Board, the text of which is set out on pages 5 to 8 of this Composite Document
- (e) the letter of advice from the Joint Independent Financial Advisers, the text of which is set out on pages 15 to 27 of this Composite Document;
- (f) the accountants' report on the audited financial information of the Privateco Group (as defined therein) for the three financial years ended 31 March 2011 from BDO contained in the Circular, part of which is extracted/reproduced in Appendix II to this Composite Document;
- (g) the unaudited pro forma financial information on the Remaining Privateco Group (as defined therein) and the accountants' report thereon from BDO contained in the Circular, the text of each of which is reproduced in Appendix II to this Composite Document;
- (h) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (i) the written consents referred to in the section headed "Experts and consents" in this appendix;
- (j) the letter from Conyers Dill & Pearman dated 30 September 2011 as referred to in the Circular and in Appendix III to this Composite Document summarising certain provisions of the memorandum of association and Bye-laws of NJIL and certain aspects of Bermuda company law, together with a copy of The Companies Act 1981 of Bermuda; and
- (k) the Circular.