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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Noble Jewelry Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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NOBLE JEWELRY HOLDINGS LIMITED
億 鑽 珠 寶 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00475)

**(1) TRANSFER OF SHARES IN NOBLE JEWELRY HOLDINGS LIMITED
TO RESOURCES RICH CAPITAL LIMITED**
(2) GROUP REORGANISATION OF NOBLE JEWELRY HOLDINGS LIMITED
(3) SHARE PREMIUM AND RESERVE APPLICATION
(4) DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES
AND
**(5) SPECIAL DEALS/
EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**Financial adviser to
Noble Jewelry Holdings Limited**



CIMB Securities (HK) Limited

**Joint Independent Financial Advisers to the
Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definition" in this circular.

A letter from the Board is set out on pages 8 to 42 of this circular and a letter from the Independent Board Committee is set out on pages 43 to 44 of this circular. A letter from the Joint Independent Financial Advisers containing their advice to the Independent Board Committee and Independent Shareholders is set out on pages 45 to 72 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 4:00 p.m. on 20 October 2011 at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages N-1 to N-4 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the share registrar of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

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EXPECTED TIMETABLE

Latest time for return of form of proxy for the EGM 4:00 p.m. on
18 October 2011

EGM 4:00 p.m. on
20 October 2011

Publication of an announcement regarding
the voting results of the EGM 20 October 2011

Notes:

- (i) A detailed timetable for the Listco Offers and the Privateco Offer will be included in the Listco Offer Document and the Privateco Offer Document respectively.
- (ii) Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

DEFINITION

In this circular, the following expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	the meaning defined in the Takeovers Code
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Barton”	Barton Company Limited, as stated in the Joint Announcement, a company incorporated in the BVI with limited liability and wholly owned by Mr. Yau
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“BVI”	the British Virgin Islands
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	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
“Completion Accounts”	the unaudited consolidated statement of financial position of the Remaining Group as at the date of Share Sale Completion (immediately after completion of the Distribution In Specie) and the unaudited consolidated statement of comprehensive income of the Remaining Group for the period commencing from 1 April 2011 and ending on the date of Share Sale Completion (immediately after completion of the Distribution In Specie)
“Director(s)”	the director(s) of the Company from time to time
“Distributed Businesses”	all businesses of the Group, other than the Remaining Businesses, carried on by the Privateco Group
“Distribution In Specie”	the distribution in specie of the Privateco Shares by the Company to the Shareholders as described in the section headed “Distribution In Specie” in the letter from the Board of this circular
“Dormitory Lease Agreement”	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, which is owned by Guangzhou Sinoble

DEFINITION

“EGM”	the extraordinary general meeting of the Company to be held at 4:00 p.m. on 20 October 2011 to consider and, if thought fit, approve the resolutions in respect of the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals and the respective transactions contemplated thereunder
“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, as stated in the Joint Announcement, a company incorporated in the BVI with limited liability and wholly owned by Mr. Chan
“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“Group Reorganisation”	the proposed reorganisation of the Group, details of which are set out in the section headed “Group Reorganisation” in the letter from the Board of this circular
“Guangzhou Sinoble”	廣州億恒珠寶有限公司 (translated as Guangzhou Sinoble Jewelry Limited), a company established in the PRC which will be a member of the Remaining Group upon completion of the Group Reorganisation
“Guangzhou Sinoble Lease Agreement”	the lease agreement to be entered into between Guangzhou Sinoble and Italina, which is beneficially wholly owned by Mr. Yau, in respect of the leasing of the premises situated at Shawan Town, Pan Yu, Guangzhou, the PRC by the Remaining Group pursuant to the Group Reorganisation
“Guangzhou Yizuan”	廣州市億鑽珠寶有限公司 (translated as Guangzhou Yizuan Jewelry Co., Ltd.), a company established in the PRC which will be a member of the Privateco Group upon completion of the Group Reorganisation
“Guangzhou Yizuan Lease Agreement”	the lease agreement to be entered into between Guangzhou Yizuan and Italina, which is beneficially wholly owned by Mr. Yau, in respect of the leasing of the premises situated at Shawan Town, Pan Yu, Guangzhou, the PRC by the Privateco Group pursuant to the Group Reorganisation

DEFINITION

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang, established for the purpose of advising the Independent Shareholders in respect of the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals, the Listco Offers and the respective transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than First Prospect, Barton, Ms. Chiu, Mr. Yau, Resources Rich and their respective associates and parties acting in concert, and any Shareholders who are involved in or interested in the Special Deals and the transactions contemplated thereunder
“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, as stated in the Joint Announcement, the financial adviser to First Prospect
“Italina”	伊泰蓮娜(廣州)首飾有限公司 (translated as Italina (Guangzhou) Jewelry Co., Ltd.), a company established in the PRC and beneficially wholly owned by Mr. Yau
“Joint Announcement”	the joint announcement issued by the Company, Resources Rich and First Prospect dated 8 September 2011 in relation to, among others, the Share Sale Agreement, the Group Reorganisation, the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals, the Listco Offers and the Privateco Offer
“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 Board Committee and the Independent Shareholders in relation to the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals and the respective transactions contemplated thereunder
“Last Trading Day”	31 August 2011, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement

DEFINITION

“Latest Practicable Date”	29 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listco Offer Document”	the offer and response document (in either composite or separate form) together with (i) the form of acceptance and transfer and (ii) the form of acceptance of cancellation to be despatched to the Shareholders and holders of the Share Option(s) pursuant to the Listco Offers
“Listco Offers”	the Listco Share Offer and the Listco Option Offer
“Listco Option Offer”	the unconditional mandatory cash offer to be made by Optima Capital on behalf of Resources Rich to cancel the outstanding Share Options
“Listco Share Offer”	the unconditional mandatory cash offer to be made by Optima Capital on behalf of Resources Rich to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2011 (or such other date as the Vendors and Resources Rich may agree in writing)
“Mr. Chan”	Mr. Chan Yuen Hing, an executive Director and the controlling Shareholder as at the Latest Practicable Date, being the guarantor of First Prospect and Ms. Chiu, two of the Vendors, under the Share Sale Agreement
“Mr. Yau”	Mr. Yau Siu Ying John, as stated in the Joint Announcement, who owns the entire issued share capital of Barton, being one of the Vendors and also the guarantor of Barton under the Share Sale Agreement
“Ms. Chiu”	Ms. Chiu Nga Fong Marisa, as stated in the Joint Announcement, being the spouse of Mr. Chan and one of the Vendors under the Share Sale Agreement
“Optima Capital”	Optima Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to Resources Rich

DEFINITION

“Option Share(s)”	the 200,000 new Shares falling to be issued upon exercise of the outstanding Share Options with an exercise price of HK\$1.27 per new Share
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Entities”	上海億炫珠寶有限公司 (translated as Shanghai Yixuan Jewelry Limited), 廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited), 山東嘉億珠寶有限公司 (translated as Shangdong Jiayi Jewelry Limited), 上海城隍珠寶有限公司 (translated as Shanghai Chenghuang Jewelry Limited) and 杭州城隍珠寶有限公司 (translated as Hangzhou Chenghuang Jewelry Limited), 100%, 51%, 30%, 20% and 33% equity interests of which were attributed to the Group respectively as at the Latest Practicable Date
“Privateco”	Noble Jewelry Investment Limited, a company incorporated in Bermuda with limited liability pursuant to the Group Reorganisation for the purpose of holding the Distributed Businesses, and which is a wholly-owned subsidiary of the Company immediately prior to completion of the Distribution In Specie
“Privateco Group”	Privateco and its subsidiaries
“Privateco Offer”	the unconditional voluntary cash offer to be made by Investec on behalf of First Prospect to acquire all the issued Privateco Shares (other than those owned or agreed to be acquired by First Prospect and parties acting in concert with it)
“Privateco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer
“Privateco Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Privateco
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Record Date”	a date falling before the date of Share Sale Completion to be fixed for determining entitlements of the Shareholders to the Distribution In Specie

DEFINITION

“Remaining Businesses”	the Group’s business of jewelry manufacturing and wholesale operation in the PRC after the Group Reorganisation and the Distribution In Specie
“Remaining Group”	the Company, Remaining Holdco and the Remaining Group Entities upon completion of the Group Reorganisation and the Distribution In Specie
“Remaining Group Entities”	Sinoble Jewelry Limited, Trendy Jewelry Limited (in the process of deregistration under section 291AA of the Companies Ordinance (Cap. 32, Laws of Hong Kong)) and Guangzhou Sinoble
“Remaining Holdco”	First Corporate International Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Report”	the report to be provided by an independent accountant to be engaged jointly by First Prospect and Resources Rich to review the Completion Accounts
“Resources Rich”	Resources Rich Capital Limited, as stated in the Joint Announcement, a company incorporated in the BVI with limited liability
“Sale Shares”	the aggregate interest of 197,142,000 Shares held by the Vendors as at the date of the Share Sale Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	a share charge executed by First Prospect in favour of Resources Rich in relation to the 172,900,000 Sale Shares owned by First Prospect to secure repayment of the refundable deposit paid by Resources Rich to First Prospect under the Share Sale Agreement
“Share Option(s)”	option(s) granted under the share option scheme of the Company adopted on 26 February 2007
“Share Premium and Reserve Application”	the application of the entire amount standing to the credit of the share premium account of the Company from time to time for the implementation of part of the Distribution In Specie

DEFINITION

“Share Sale Agreement”	the agreement dated 7 September 2011 entered into among the Vendors, Resources Rich and Mr. Chan in respect of the acquisition by Resources Rich of the Sale Shares
“Share Sale Completion”	completion of the Share Sale Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Special Deals”	collectively, the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement, which will constitute special deals for the Company under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“Vendors”	collectively, First Prospect, Barton, Ms. Chiu and Mr. Yau, being the vendors of the Sale Shares pursuant to the Share Sale Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the US
“%”	per cent.



NOBLE JEWELRY HOLDINGS LIMITED
億 鑽 珠 寶 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00475)

Executive Directors:

Mr. Chan Yuen Hing (*Chairman*)
Mr. Tang Chee Kwong (*Chief Executive Officer*)
Ms. Chan Lai Yung
Mr. Lai Wang
Mr. Setiawan Tan Budi
Mr. Tsang Wing Ki, *FCCA, FCPA*

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. Chan Cheong Tat
Mr. Tang Chiu Ming Frank
Mr. Yu Ming Yang

30 September 2011

To the Shareholders, and for information only, holder of the Share Options

Dear Sir/Madam,

**(1) TRANSFER OF SHARES IN NOBLE JEWELRY HOLDINGS LIMITED
TO RESOURCES RICH CAPITAL LIMITED**
(2) GROUP REORGANISATION OF NOBLE JEWELRY HOLDINGS LIMITED
(3) SHARE PREMIUM AND RESERVE APPLICATION
(4) DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES
AND
**(5) SPECIAL DEALS/
EXEMPT CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

On 8 September 2011, the Company, Resources Rich and First Prospect jointly announced, among others, the Group Reorganisation, the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals. The Share Premium and Reserve Application, the Distribution In Specie and the Special Deals will be put forward for the Independent Shareholders' approval at the EGM.

LETTER FROM THE BOARD

The Company has been informed by its controlling Shareholder that, on 7 September 2011, the Vendors, Resources Rich and Mr. Chan entered into the Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell and Resources Rich has conditionally agreed to purchase the Sale Shares, being the aggregate interest of 197,142,000 Shares held by the Vendors, representing approximately 72.56% of the entire issued share capital of the Company as at the date of the Share Sale Agreement, at an aggregate consideration of HK\$242,484,660, representing HK\$1.23 per Sale Share. The Share Sale Agreement is conditional upon, among other things, completion of the Group Reorganisation.

The Group Reorganisation, which reorganises the Distributed Businesses under the Privateco Group, is necessary to give effect to the Distribution In Specie. The Distribution In Specie in turn will lead to the Privateco Offer, and its approval by the Shareholders being a condition precedent to the Share Sale Completion, will ultimately lead to the Listco Offers.

Resources Rich has confirmed that upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.56% of the issued share capital of the Company as at the date of the Share Sale Agreement and approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date. It is stated in the Joint Announcement that subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers, which are unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options. The offer price of the Listco Share Offer will be HK\$1.23 per Share, which is equal to the price per Sale Share under the Share Sale Agreement. Details of the Listco Offers are set out in Appendix I to this circular. Resources Rich and the Company are required to issue and despatch the Listco Offer Document to the Shareholders and holders of the Share Options in accordance with the Takeovers Code.

Subject to Share Sale Completion taking place, the Company will distribute all of the Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (being a date falling before the date of Share Sale Completion to be fixed for determining entitlements to the Distribution In Specie) on the basis of one Privateco Share for every Share held.

It is stated in the Joint Announcement that after Share Sale Completion and the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it). The offer price of the Privateco Offer will be HK\$0.50 per Privateco Share. Details of the Privateco Offer are set out in Appendix I to this circular. First Prospect and the Company are required to issue and despatch the Privateco Offer Document to the Privateco Shareholders in accordance with the Takeovers Code.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, further information about the Group Reorganisation, the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals, the Listco Offers and the Privateco Offer, a letter of recommendation from the Independent Board Committee and a letter of advice from the Joint Independent Financial Advisers in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals and a notice of the EGM.

A. SHARE SALE AGREEMENT

The Company has been informed by its controlling Shareholder of the signing of the Share Sale Agreement, which contains terms including the following:

Date

7 September 2011

Parties

- (i) First Prospect (as vendor), a company incorporated in the BVI and wholly owned by Mr. Chan who is an executive Director and the controlling Shareholder;
- (ii) Barton (as vendor), a company incorporated in the BVI and wholly owned by Mr. Yau;
- (iii) Ms. Chiu (as vendor), the spouse of Mr. Chan;
- (iv) Mr. Yau (as vendor and also the guarantor to Barton);
- (v) Mr. Chan (as the guarantor to First Prospect and Ms. Chiu); and
- (vi) Resources Rich (as purchaser).

First Prospect and Ms. Chiu have confirmed that Mr. Chan, through First Prospect, is the controlling Shareholder, who together with Ms. Chiu held an aggregate of 172,902,000 Shares as at the Latest Practicable Date, representing approximately 63.64% of the entire issued share capital of the Company as at the date of the Share Sale Agreement and approximately 63.19% of the entire issued share capital of the Company as at the Latest Practicable Date.

Mr. Yau and Barton have confirmed that as at the Latest Practicable Date, Mr. Yau together with Barton beneficially held 24,240,000 Shares, representing approximately 8.92% of the entire issued share capital of the Company as at the date of the Share Sale Agreement and approximately 8.86% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the aforesaid, Mr. Yau is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, each of Resources Rich, its ultimate beneficial owners and parties acting in concert with it is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Subject matter

The Vendors have conditionally agreed to sell and Resources Rich has conditionally agreed to purchase the Sale Shares, being 197,142,000 Shares, representing approximately 72.56% of the entire issued share capital of the Company as at the date of the Share Sale Agreement and approximately 72.05% of the entire issued share capital of the Company as at the Latest Practicable Date, at an aggregate consideration of HK\$242,484,660, representing HK\$1.23 per Sale Share.

Consideration

The aggregate consideration for the Sale Shares is HK\$242,484,660, representing HK\$1.23 per Sale Share. The Company was informed by Resources Rich that the consideration was determined after arm's length negotiations between the Vendors and Resources Rich taking into account the business operation of the Remaining Group and the fact that Resources Rich can obtain a controlling interest in the Company.

The consideration with an amount of HK\$212,667,000 payable by Resources Rich to First Prospect shall be satisfied as follows:

- (a) as to HK\$50,000,000 payable by Resources Rich within three Business Days after the signing of the Share Sale Agreement and simultaneously with the execution of the Share Charge by First Prospect as refundable deposit (the "Refundable Deposit") and part payment of the consideration to First Prospect; and
- (b) the balance of the consideration of HK\$162,667,000 payable by Resources Rich upon Share Sale Completion.

The consideration with an amount of HK\$2,460, HK\$19,411,860 and HK\$10,403,340 payable by Resources Rich to Ms. Chiu, Mr. Yau and Barton respectively shall be made by Resources Rich upon Share Sale Completion.

As at the Latest Practicable Date, the Company was informed that the Refundable Deposit had been paid and the Share Charge had been executed.

The refund of the Refundable Deposit by First Prospect to Resources Rich is secured by the Share Charge. Pursuant to the Share Charge, charges in favour of Resources Rich have been created over the 172,900,000 Shares owned by First Prospect. First Prospect may exercise any voting rights and other rights and powers attaching to the 172,900,000 charged Shares as it thinks fit until the Share Charge becomes enforceable. The Share Charge shall be a continuing security and shall remain in full force and effect until discharge of it simultaneously upon (i) the refund of the

LETTER FROM THE BOARD

Refundable Deposit in accordance with the terms and conditions of the Share Sale Agreement or within five Business Days from receipt by First Prospect of a written demand given by Resources Rich requesting for the refund of the Refundable Deposit; or (ii) upon Share Sale Completion.

Specific warranties

First Prospect has represented and warranted to Resources Rich in the Share Sale Agreement that:

- (a) the liabilities (whether actual or contingent) of the Remaining Group as shown in the Report shall not exceed HK\$2 million (the “Warranted Liabilities”);
- (b) the inventory of the Remaining Group as shown in the Report shall be no less than HK\$20 million (the “Warranted Inventory”); and
- (c) the cash at bank and cash on hand of the Remaining Group as shown in the Report shall not be less than HK\$10 million (the “Warranted Cash”).

First Prospect is required under the Share Sale Agreement to pay to Resources Rich an amount in cash equivalent to any excess (in terms of the Warranted Liabilities) or shortfall (in terms of the Warranted Inventory and the Warranted Cash) as shown in the Report upon written demand from Resources Rich by giving at least three Business Days’ written notice to First Prospect and in such manner as Resources Rich may agree in writing.

Resources Rich has confirmed that, for the avoidance of doubt, under the terms of the Share Sale Agreement, there shall be no upward adjustment to the consideration and no payment shall be required to be made by Resources Rich to First Prospect under the specific warranties as described above, so that the offer price of the Listco Share Offer represents the maximum price of HK\$1.23 per Sale Share payable by Resources Rich for the acquisition of the Sale Shares under the Share Sale Agreement.

Conditions precedent

Share Sale Completion shall be subject to the following conditions precedent being fulfilled (or, where applicable, waived):

- (a) the Shares remaining listed and traded on the main board of the Stock Exchange, and no notification being received from the Stock Exchange or the SFC prior to Share Sale Completion that the listing of the Shares on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended for more than seven consecutive Business Days (excluding any suspension for the purposes of obtaining clearance from the SFC or Stock Exchange for the Joint Announcement provided the suspension for the aforesaid clearance shall not in any event exceed one month from the first day of suspension);

LETTER FROM THE BOARD

- (b) the Shareholders (other than those who are required to abstain from voting pursuant to the Listing Rules and the Takeovers Code) passing at the EGM resolutions approving, among other things, the Distribution In Specie and the transactions contemplated thereunder and the Share Premium and Reserve Application;
- (c) the Shareholders (other than those who are required to abstain from voting pursuant to the Listing Rules and the Takeovers Code) passing at the EGM resolutions approving any special deal arising or as a result of the Distribution In Specie and consent from the Executive in relation thereto;
- (d) completion of the Group Reorganisation with the Vendors having provided evidence to Resources Rich to its reasonable satisfaction within 10 Business Days after the date of the EGM (or such other date as may be agreed by the Vendors and Resources Rich in writing) (the “Reorganisation Period”) and the making of such enquiries, investigations and reviews of the business, affairs, operations and financial position of the Group by Resources Rich and any of its officers, employees, agents, professional advisers or other persons authorised by Resources Rich which Resources Rich in its reasonable discretion deems necessary, desirable or appropriate in respect of completion of the Group Reorganisation within 10 Business Days after the expiry of the Reorganisation Period (the “Review Period”), and this condition precedent shall be deemed to have been fulfilled and waived if Resources Rich have not indicated to the Vendors in writing within the Review Period that this condition precedent has not been fulfilled;
- (e) Resources Rich having received a legal opinion issued by a firm of legal advisers authorised to practise PRC laws addressed to the Company and Resources Rich in such form and substance to the satisfaction of Resources Rich covering matters including, among other things, (i) the valid establishment, legal subsistence of Guangzhou Sinoble and that Guangzhou Sinoble is not under liquidation; (ii) Guangzhou Sinoble having obtained all necessary licences, approvals and permits for engaging in its business; (iii) the legality, validity and enforceability of the licences, approvals and permits obtained by Guangzhou Sinoble for engaging in its business; (iv) the legality, validity and completeness of the Group Reorganisation; and (v) any other matters as required by Resources Rich, in each case relating to the PRC laws only;
- (f) all necessary approvals and consents (including the Bermuda Monetary Authority’s approval relating to the Distribution In Specie) in respect of the Share Sale Agreement and the transactions contemplated thereunder required by any member of the Group and the Vendors being obtained;
- (g) no indication from the SFC having received by Resources Rich that the offer price under the Listco Share Offer would exceed HK\$1.23;

LETTER FROM THE BOARD

- (h) the warranties given by the Vendors and Mr. Chan remaining true and accurate in all material respects and not misleading in any material respect as at the date of Share Sale Completion by reference to the facts and circumstances subsisting as at the date of Share Sale Completion; and
- (i) the Share Charge having been duly executed by First Prospect.

Resources Rich shall be entitled to waive the conditions precedent set out above (except the conditions (b), (c) and (f) which are incapable of being waived) above by serving a notice in writing to the Vendors. If the conditions precedent set out above have not been fulfilled (or waived by Resources Rich in whole or in part) on or before 5:00 p.m. on the Long Stop Date, the Share Sale Agreement (except surviving terms) shall cease and determine and the parties shall not have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof. Resources Rich has confirmed that, as at the Latest Practicable Date, condition (i) had been fulfilled.

Completion

Share Sale Completion is to take place on (i) the fifth Business Day after the conditions referred to above (other than the conditions (a), (g) and (h) which shall remain fulfilled up to Share Sale Completion) have been fulfilled or waived by Resources Rich (as the case may be) on or before the Long Stop Date; or (ii) such other day as the Vendors and Resources Rich may agree in writing.

Non-Competition

First Prospect, Mr. Chan and Ms. Chiu are permitted under the Share Sale Agreement to carry on the business of retail of jewelry products in the PRC via and as conducted by the Privateco Group until 31 December 2011, after which the Privateco Group shall cease to carry on such business in the PRC. Subject to the aforesaid, each of First Prospect, Mr. Chan and Ms. Chiu has undertaken to Resources Rich under the Share Sale Agreement not to engage or be engaged in any business in the PRC which is in competition with or similar to the retail or the manufacturing and wholesale of jewelry products in the PRC (but excluding any manufacturing of jewelry products in the PRC for the purpose of wholesale or retail outside the PRC).

Effect of the Share Sale Completion on shareholding structure of the Company

As at the Latest Practicable Date, there were 273,610,000 Shares in issue and outstanding Share Options conferring the rights to the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares at HK\$1.27 per Option Share (which Share Options are held by Mr. Chan in respect of which he has given an irrevocable undertaking under the Share Sale Agreement not to exercise the subscription rights attached to such Share Options prior to the close of the Listco Share Offer and not to accept the Listco Option Offer).

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Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Share Sale Completion (based on the information provided by the Vendors and assuming no other changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to Share Sale Completion but before the commencement of the Listco Offers):

	As at the Latest Practicable Date		Immediately upon Share Sale Completion but before the commencement of the Listco Offers	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
Vendors:				
— First Prospect	172,900,000	63.19	—	—
— Ms. Chiu	2,000	0.00	—	—
— Mr. Yau	15,782,000	5.77	—	—
— Barton	8,458,000	3.09	—	—
Resources Rich and parties acting in concert with it	—	—	197,142,000	72.05
Public	<u>76,468,000</u>	<u>27.95</u>	<u>76,468,000</u>	<u>27.95</u>
Total	<u><u>273,610,000</u></u>	<u><u>100.00</u></u>	<u><u>273,610,000</u></u>	<u><u>100.00</u></u>

B. GROUP REORGANISATION

Pursuant to the Group Reorganisation:

- (i) the Remaining Group Entities will transfer all their equity interests in the PRC Entities to the Privateco Group and enter into agreements to assign certain trademarks relating to the jewelry wholesale and retail business outside the PRC and the PRC retail business (which will be carried out by the Privateco Group until it is wound down by end of 2011) which are currently held by the Remaining Group Entities to the Privateco Group;
- (ii) the Remaining Group will cease its PRC jewelry retail business by terminating its retail consignment arrangements at a jewelry shopping centre in the PRC and the franchise agreement with a PRC jewelry company and transferring its inventory for the PRC jewelry retail business which will be carried out by the Privateco Group until it is wound down by end of 2011 to the Privateco Group;
- (iii) there will be internal transfer of interests in non-PRC entities in the Group as a result of which Remaining Holdco will hold the Remaining Group Entities and Privateco will hold other existing members of the Group;
- (iv) the operations of the Remaining Group and the Privateco Group will be delineated by, among others, the Remaining Group entering into employment contracts with those employees who will be transferred from the Privateco Group to the Remaining Group and a subcontracting agreement with an existing

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independent subcontractor, pursuant to which the subcontractor will provide to the Remaining Group computer aided design, sketching and jewelry moulding services in return for a processing fee;

- (v) the Remaining Group will enter into lease agreements with a company beneficially wholly owned by Mr. Yau and the Privateco Group respectively as outlined in the section headed “Special Deals/Exempt Continuing Connected Transactions” below;
- (vi) all the existing corporate guarantees given by the Remaining Group for the banking facilities taken out by the Privateco Group will be released and the banking facility of which Guangzhou Sinoble is the borrower will be cancelled, each conditional only upon the Share Sale Completion; and
- (vii) the outstanding intra-group balances between the Remaining Group and the Privateco Group will be settled before Share Sale Completion and completion of the Distribution In Specie.

The completion of the Group Reorganisation is not subject to the fulfilment of any condition precedent.

C. SHARE PREMIUM AND RESERVE APPLICATION

Subject to the Shareholders’ approval on the Share Premium and Reserve Application having been obtained at the EGM, the Directors will be authorised to apply the entire amount standing to the credit of the share premium account of the Company, which amounted to approximately HK\$79.8 million as at 31 March 2011, for the implementation of part of the Distribution In Specie.

D. DISTRIBUTION IN SPECIE

Subject to Share Sale Completion taking place, the Company will distribute all of the Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (being a date falling before the date of Share Sale Completion to be fixed by the Board for determining entitlements to the Distribution In Specie) on the following basis:

for every Share held one Privateco Share

The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

The Distribution In Specie will be effected by distribution from the amount standing to the credit of the share premium account and the reserve account of the Company and the amount to be distributed will be equivalent to the carrying amount of the Privateco Group which will be ascertained immediately prior to Share Sale Completion.

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The Privateco Shares when issued will rank *pari passu* in all respects with each other. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange.

As a result of the Distribution In Specie, Privateco and its subsidiaries will cease to be subsidiaries of the Company, and the Remaining Group will carry on the Remaining Businesses, being design, manufacturing and wholesale of jewelry products in the PRC.

Under the Share Sale Agreement, each of First Prospect, Mr. Chan and Ms. Chiu undertakes to Resources Rich to procure the Company to complete the Distribution In Specie immediately after Share Sale Completion and further undertakes to procure that immediately upon the completion of the Distribution In Specie, First Prospect (or its financial advisers) will make the Privateco Offer to the Privateco Shareholders in accordance with the Takeovers Code. It is stated in the Joint Announcement that the Listco Offers will be made after Share Sale Completion while the Privateco Offer will be made after the completion of the Distribution In Specie, and that arrangements will be made such that the Distribution In Specie will follow immediately after Share Sale Completion to the extent practicable, in which case the Listco Offers and the Privateco Offer are expected to commence on the same day.

Conditions to the Distribution In Specie

The Distribution In Specie is conditional upon:

- (a) completion of the Group Reorganisation;
- (b) the passing of ordinary resolutions at the EGM to approve the Distribution In Specie and the Share Premium and Reserve Application;
- (c) the obtaining of approval from Bermuda Monetary Authority in respect of the transfer of the Privateco Shares to the Shareholders pursuant to the Distribution In Specie; and
- (d) Share Sale Completion.

None of the above conditions can be waived.

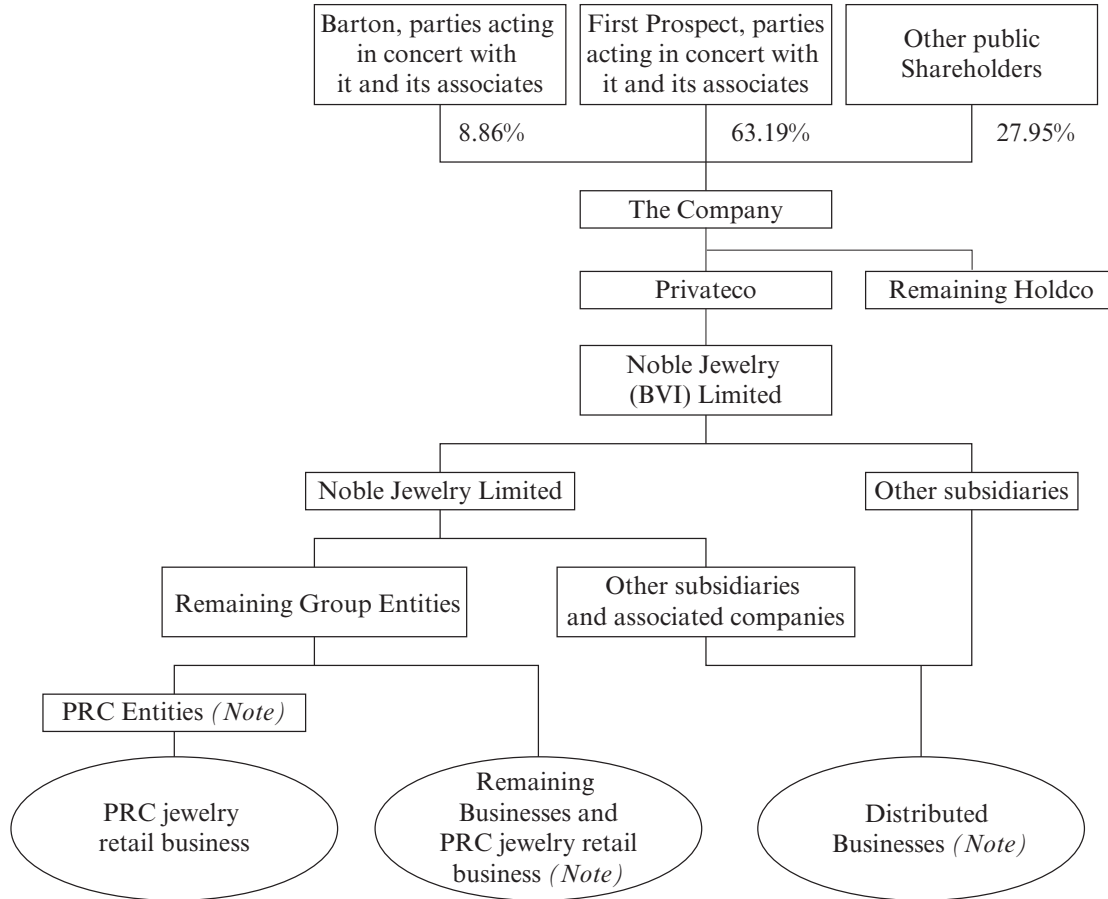
The Vendors and Resources Rich have confirmed that they and their respective associates and parties acting in concert will abstain from voting on the relevant resolutions regarding the Distribution In Specie and the Share Premium and Reserve Application, which will be taken by poll at the EGM.

It is stated in the Joint Announcement that completion of the Distribution In Specie will not take place unless all the above conditions precedent of the Distribution In Specie have been fulfilled, and that subject to Share Sale Completion and completion of the Distribution In Specie, First Prospect will make the Privateco Offer.

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Group structure before and after the Group Reorganisation, Share Sale Completion and the Distribution In Specie

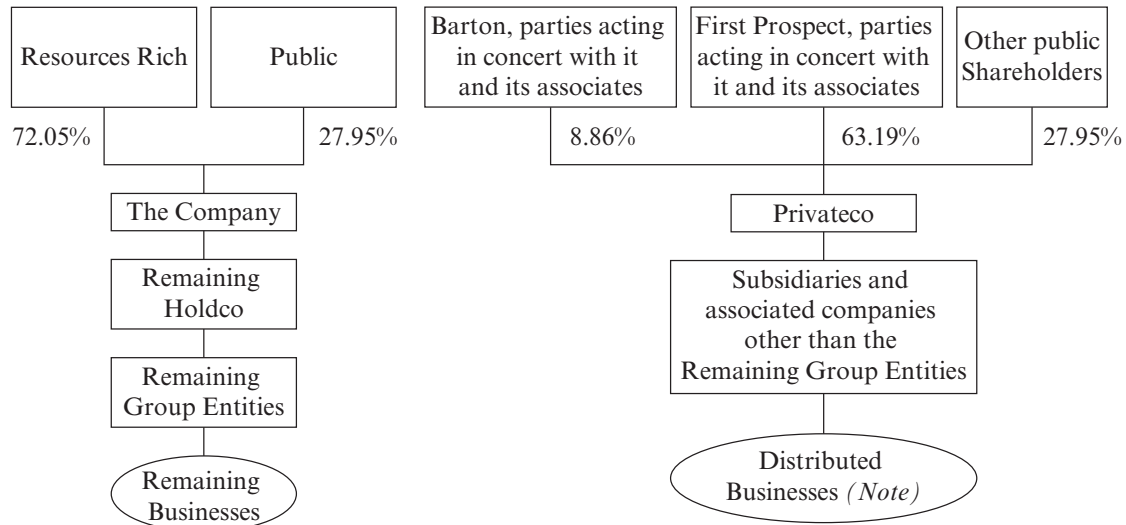
The chart below shows in summary the group structure of the Company as at the Latest Practicable Date (based on the information provided by the Vendors and assuming no other changes in the shareholding structure of the Group since the Latest Practicable Date):



Note: The Group currently carries out the PRC jewelry retail business through the PRC Entities and Guangzhou Sinoble (which is one of the Remaining Group Entities). Pursuant to the Group Reorganisation, the Remaining Group will cease the PRC jewelry retail business by transferring its equity interest in the PRC Entities to the Privateco Group and terminating Guangzhou Sinoble's retail consignment arrangements and franchise agreement in relation to the PRC jewelry retail business.

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The chart below shows in summary the respective group structure of the Privateco Group and the Remaining Group immediately upon completion of the Group Reorganisation, Share Sale Completion (which is conditional on completion of the Group Reorganisation) and completion of the Distribution In Specie (which is conditional on completion of the Group Reorganisation and Share Sale Completion), but before commencement of the Privateco Offer and the Listco Offers (based on the information provided by the Vendors and assuming no other changes in the shareholding structure of the Group during this period):



Note: Pursuant to the Group Reorganisation, the PRC Entities held immediately before the Group Reorganisation by the Remaining Group Entities will be transferred to the Privateco Group and the Privateco Group will continue to operate their retail business in the PRC until it is completely wound down by the end of 2011.

Reasons for and effects of the Group Reorganisation and the Distribution In Specie

The Company has been informed that during the negotiations between the parties to the Share Sale Agreement, Resources Rich has indicated that it is not interested in the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provides an option for the Independent Shareholders to keep or through the Privateco Offer dispose of their investments in the Distributed Businesses. The Privateco Offer provides a cash exit option to the Independent Shareholders (at HK\$0.50 per Privateco Share) to realise all or part of their shareholding in Privateco, which are unlisted and may be illiquid, upon completion of the Distribution In Specie. In addition, upon Share Sale Completion, Resources Rich will become a controlling Shareholder and is obliged to make the Listco Offers, which are unconditional mandatory cash offers, to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and the parties acting in concert with it) at HK\$1.23 per Share and to cancel the outstanding Share Options at HK\$0.01 for Share Option carrying right to subscribe for one Option Share.

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The Group Reorganisation, which reorganises the Distributed Businesses under the Privateco Group, is necessary to give effect to the Distribution In Specie. The Distribution In Specie in turn will lead to the Privateco Offer, and its approval by the Shareholders being a condition precedent to Share Sale Completion, will ultimately lead to the Listco Offers. The Board therefore considers that the Group Reorganisation is in the interests of the Shareholders as a whole.

The Listco Offers and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in Privateco following Share Sale Completion at a premium of approximately 50.43% over the closing price of the Shares of HK\$1.15 as quoted on the Stock Exchange on the Last Trading Day. As such, the Board considers that it is in the interests of the Independent Shareholders to provide them with an opportunity to consider and, if thought fit, approve the resolution for the Distribution In Specie at the EGM.

Information on the Distributed Businesses and the Remaining Businesses

The Group is principally engaged in the design, manufacturing and trading of fine jewelry products. Its principal customers are located in the US, Europe, Middle East, Asia-Pacific region and the PRC. The Group is also engaged in retail of fine jewelry in the US, Spain and the PRC.

The Distributed Businesses to be operated by the Privateco Group will consist principally of the 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. Pursuant to the Group Reorganisation, the PRC Entities will be transferred to the Privateco Group and the Privateco Group will continue to operate the jewelry retail business in the PRC until such business is completely wound down by the end of 2011.

The Remaining Group will comprise the Company's 100% interest in Remaining Holdco and the Remaining Group Entities, which will be principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

After taking into account factors, including: (i) there being no shortage of supply of labour in the jewelry manufacturing industry in the PRC; (ii) principal raw materials for the Remaining Businesses being commodities which can be sourced from a large number of suppliers; (iii) different customer base of the Remaining Businesses and the Distributed Businesses in respect of geographic distribution and product requirements in terms of raw materials and designs; and (iv) the non-competition undertakings given by First Prospect, Mr. Chan and Ms. Chiu under the Share Sale Agreement, the Directors consider that there is no direct or significant indirect competition between the Remaining Group and the Privateco Group.

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Financial information of the Company

Set out below is the audited consolidated financial information of the Company for each of the three years ended 31 March 2011 extracted from the accountants' report of the Company as set out in Appendix II to this circular:

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Turnover	631,947	521,328	643,399
Profit/(loss) before income tax	5,599	7,921	(6,009)
Profit/(loss) for the year	1,330	3,051	(10,414)

The audited equity attributable to owners of the Company as at 31 March 2011 was approximately HK\$259.1 million, as extracted from the accountants' report of the Company in Appendix II to this circular, representing approximately HK\$0.95 per Share based on 271,700,000 Shares in issue as at 31 March 2011.

Following Share Sale Completion and the completion of the Distribution In Specie, the Remaining Group will be principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC. A summary of the financial information relating to the Remaining Businesses and the PRC jewelry retail business (which will be terminated pursuant to the Group Reorganisation) for the three financial years ended 31 March 2011 is set out on page 40 of this circular.

Financial information of Privateco

As at the date of the accountants' report of Privateco set out in Appendix III to this circular, Privateco was a direct wholly owned subsidiary of the Company and the holding company of existing members of the Group (other than Remaining Holdco), which include the Remaining Group Entities and the Privateco Group.

Set out below is the audited combined financial information of Privateco for each of the three years ended 31 March 2011 extracted from the accountants' report of Privateco as set out in Appendix III to this circular:

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Turnover	631,947	521,328	643,399
Profit/(loss) before income tax	5,603	8,210	(5,455)
Profit/(loss) for the year	1,334	3,340	(9,860)

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The audited combined net assets value of Privateco as at 31 March 2011 was approximately HK\$177.0 million as extracted from the accountants' report of Privateco in Appendix III to this circular.

Upon completion of the Group Reorganisation, Privateco will be the holding company of the Distributed Businesses and Remaining Holdco will be the holding company of the Remaining Businesses.

Set out below is the financial information of the Distributed Businesses for each of the three years ended 31 March 2011 extracted from note 41 to the accountants' report of the Company as set out in Appendix II to this circular:

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Turnover	574,016	482,494	585,324
Profit/(loss) before income tax	3,967	10,383	(5,681)
Profit/(loss) for the year	(302)	5,513	(10,086)

The net assets attributable to owners of the Distributed Businesses as at 31 March 2011 was approximately HK\$171.2 million, as extracted from note 41 to the accountants' report of the Company in Appendix II to this circular.

Financial effects of the Group Reorganisation and the Distribution In Specie

Set out in Appendix V to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Group Reorganisation and the Distribution In Specie on the results and cash flows of the Remaining Group as if the Group Reorganisation and the Distribution In Specie had taken place at the commencement of the financial year ended 31 March 2011 and the financial impact of the Group Reorganisation on the assets and liabilities of the Remaining Group as if the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011. Upon completion of the Distribution In Specie, all the Company's existing subsidiaries other than Remaining Holdco and the Remaining Group Entities will cease to be the Company's subsidiaries and their financial results will not be consolidated into the Company's financial results.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011, the pro forma total assets of the Remaining Group would be approximately HK\$71.5 million, which represented a decrease of approximately HK\$638.2 million from the Group's total assets as at 31 March 2011, the pro forma total liabilities of the Remaining Group would be approximately HK\$17.6 million, which represented a decrease of approximately HK\$433.0 million from the Group's total liabilities as at 31 March

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2011, and the pro forma net assets of the Remaining Group would be approximately HK\$54.0 million, which represented a decrease of approximately HK\$205.2 million from the Group's net assets as at 31 March 2011.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Reorganisation and the Distribution In Specie had taken place at the commencement of the financial year ended 31 March 2011, the Remaining Group would record a pro forma profit of approximately HK\$412,000, as compared to a net loss of approximately HK\$10.4 million of the Group for the financial year, which was mainly due to pro forma adjustments by excluding the income and expenses attributable to the Distributed Businesses, which had a net financial effect of increasing earnings by approximately HK\$10.8 million.

E. SPECIAL DEALS/EXEMPT CONTINUING CONNECTED TRANSACTIONS

To rationalise the tenancy arrangements between the Privateco Group and the Remaining Group and to delineate the premises at which the businesses of the Privateco Group and the Remaining Group will be operated, (i) Guangzhou Sinoble (a member of the Remaining Group) and Italina (a company beneficially wholly owned by Mr. Yau) will enter into the Guangzhou Sinoble Lease Agreement; (ii) Guangzhou Yizuan (a member of the Privateco Group) and Italina will enter into the Guangzhou Yizuan Lease Agreement; and (iii) Guangzhou Sinoble and Guangzhou Yizuan entered into the Dormitory Lease Agreement on 21 September 2011 respectively. The terms of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement are substantially the same as the existing single lease agreement entered into between Guangzhou Sinoble (as tenant) and Italina (as landlord) in respect of the same premises, save for the rental that are apportioned according to the floor areas under the respective lease agreements.

There is also subsisting a lease agreement dated 15 July 2010 between Guangzhou Sinoble and a company beneficially wholly owned by Mr. Chan in respect of certain premises with a construction area of 742 square metres situated in Shawan Town, Pan Yu, Guangzhou, the PRC for manufacturing purpose for a term from 1 August 2010 to 31 July 2012, which is expected to continue after Share Sale Completion on the existing terms. The transactions contemplated under such lease agreement had constituted and will continue to constitute continuing connected transactions of the Company. As the applicable percentage ratios (calculated pursuant to Chapter 14A of the Listing Rules) in respect of the continuing connected transactions contemplated under such lease agreement are less than 5% on an annual basis and the annual rental payment is less than HK\$1,000,000, transactions contemplated under the lease agreement will constitute a de minimis transaction under Rule 14A.33 of the Listing Rules and is exempt from the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

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Set out below are the key terms of each of the Guangzhou Sinoble Lease Agreement, the Guangzhou Yizuan Lease Agreement and the Dormitory Lease Agreement:

(1) Guangzhou Sinoble Lease Agreement

Lessor:	Italina, a company beneficially wholly owned by Mr. Yau
Lessee:	Guangzhou Sinoble, a wholly-owned subsidiary of the Remaining Group
Property:	certain premises with a construction area of 370 square metres situated at Zone A on the first floor, Block 13, Shawan Jewelry Industry Park, 999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, the PRC for manufacturing purpose
Term:	From 1 September 2011 to 30 April 2021 (both days inclusive)
Rent:	RMB15 per square meter per month for the first 20-month lease term which will be increased by RMB1 per square metre every two years thereafter The rent was determined after arm's length negotiation and with reference to the prevailing market rent.
Deposit:	RMB16,650
Management fee:	RMB1.32 per square metre per month

(2) Guangzhou Yizuan Lease Agreement

Lessor:	Italina, a company beneficially wholly owned by Mr. Yau
Lessee:	Guangzhou Yizuan, a wholly-owned subsidiary of the Privateco Group
Property:	certain premises with a construction area of 8,066.2 square metres situated at Zone B on the first floor and the second, third and fourth floors, Block 13, Shawan Jewelry Industry Park, 999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, the PRC for manufacturing purpose
Term:	From 1 September 2011 to 30 April 2021 (both days inclusive)
Rent:	RMB15 per square metre per month for the first 20-month lease term, which will be increased by RMB1 per square metre every two years thereafter The rent was determined after arm's length negotiation and with reference to the prevailing market rent.

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Deposit: RMB362,979

Management fee: RMB1.32 per square metre per month

The Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement will be entered into as part of the Group Reorganisation, the completion of which is among one of the pre-conditions for Share Sale Completion. Each of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement will constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to the Joint Independent Financial Advisers' opinion that the respective terms of each of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement are fair and reasonable and the approval by the Independent Shareholders by way of poll at the EGM.

(3) Dormitory Lease Agreement

Date: 21 September 2011

Lessor: Guangzhou Sinoble, a member of the Remaining Group

Lessee: Guangzhou Yizuan, a member of the Privateco Group

Property: staff dormitory situated at second, third and fourth floors, Block 46, Shawan Town, Pan Yu, Guangzhou, the PRC

Term: 12 months from 1 September 2011 to 31 August 2012

Rent: RMB18,000 per month, which was determined after arm's length negotiation and with reference to the prevailing market rent

The transactions contemplated under the Dormitory Lease Agreement will, upon completion of the Distribution In Specie, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of Guangzhou Yizuan being an associate of Mr. Chan (who will then have been a director of the Company in the preceding 12 months) and thus a connected person of the Company under the Listing Rules. The Board considers that the terms of the Dormitory Lease Agreement to be on normal commercial terms, fair and reasonable and the entering into of such agreement is in the interests of the Group and the Shareholders as a whole.

Given Mr. Chan's material interest in the Dormitory Lease Agreement, Mr. Chan abstained from voting at the board meeting approving the Dormitory Lease Agreement.

As each of the applicable percentage ratios (calculated pursuant to Chapter 14A of the Listing Rules) in respect of the continuing connected transactions contemplated under the Dormitory Lease Agreement is less than 5% and the annual consideration is

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less than HK\$1,000,000, the Dormitory Lease Agreement and the transactions contemplated thereunder shall be exempt from the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

F. POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS FOR THE SHARES AND TO CANCEL THE SHARE OPTIONS

Resources Rich has confirmed that upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.56% of the issued share capital of the Company as at the date of the Share Sale Agreement and approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date. It is stated in the Joint Announcement that subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers, which are unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options on the following basis:

for each Share held HK\$1.23 in cash

**for cancellation of Share Option carrying right
to subscribe for one Option Share HK\$0.01 in cash**

During the period from the publication of the Joint Announcement up to the Latest Practicable Date, the Company issued an aggregate of 1,910,000 Shares pursuant to the exercise of the Share Options. As at the Latest Practicable Date, there were 273,610,000 Shares in issue and outstanding Share Options conferring the rights to Mr. Chan, being the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares at HK\$1.27 per Option Share.

Excluding the 197,142,000 Shares to be held by Resources Rich and parties acting in concert with it upon Share Sale Completion and given Mr. Chan's irrevocable undertaking not to exercise the subscription rights attached to the Share Options held by him prior to the close of the Listco Share Offer and not to accept the Listco Option Offer, 76,468,000 Shares (at the Listco Share Offer price of HK\$1.23 per Share) will be subject to the Listco Share Offer and no outstanding Share Options (at the Listco Option Offer price of HK\$0.01 for cancellation of Share Option carrying right to subscribe for one Option Share) will be subject to the Listco Option Offer.

The making of the Listco Offers is subject to Share Sale Completion which in turn is subject to a number of conditions precedent as referred to in the paragraph headed "Conditions precedent" in the section headed "A. Share Sale Agreement" above and therefore is a possibility only and it may or may not proceed. Investing public and the Shareholders are therefore urged to exercise extreme caution when dealing in the Shares.

Further information on the Listco Offers is set out in Appendix I to this circular.

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G. POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER FOR THE PRIVATECO SHARES

Based on the shareholding structure of the Company as at the Latest Practicable Date and information provided by First Prospect and assuming no other changes in their ownership of shares, First Prospect and parties acting in concert with it will be interested in a total of 172,902,000 Privateco Shares, representing approximately 63.19% of the issued share capital of Privateco immediately following the Distribution In Specie. Given that the Privateco Shares will not be listed on the Stock Exchange or other stock exchange, it will be difficult, if not impossible, for holders of the Privateco Shares to liquidate their holdings in the Privateco Shares. It is stated in the Joint Announcement that First Prospect considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

It is stated in the Joint Announcement that after Share Sale Completion and the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it) on the following basis:

for each Privateco Share held HK\$0.50 in cash

** The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date. The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.*

During the period from the publication of the Joint Announcement up to the Latest Practicable Date, the Company issued an aggregate of 1,910,000 Shares pursuant to the exercise of the Share Options. As at the Latest Practicable Date, there were 273,610,000 Shares in issue and outstanding Share Options conferring the rights to Mr. Chan, being the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares at HK\$1.27 per Option Share.

Assuming Share Sale Completion having taken place, based on 172,902,000 Privateco Shares (representing approximately 63.19% of the share capital of Privateco expected to be in issue) to be beneficially owned by First Prospect and parties acting in concert with it and Mr. Chan's irrevocable undertaking not to exercise the subscription rights attached to the Share Options he held prior to the close of the Listco Share Offer and not to accept the Listco Option Offer, 100,708,000 Privateco Shares (representing approximately 36.81% of the share capital of Privateco expected to be in issue) will be subject to the Privateco Offer.

As the Privateco Offer will only be made following Share Sale Completion and the completion of the Distribution In Specie, and the Share Sale Completion is subject to a number of conditions precedent to the Share Sale Agreement, the making of the Privateco Offer may or may not proceed and, as such is a possibility only. In the event that the Privateco Offer is made, it will be an unconditional cash offer. Investing public and the Shareholders are therefore urged to exercise extreme caution when dealing in the Shares.

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Further information on the Privateco Offer is set out in Appendix I to this circular.

Other arrangements

Privateco was incorporated in Bermuda on 16 September 2011.

First Prospect has confirmed that:

- (a) as at the Latest Practicable Date, none of First Prospect, its ultimate beneficial owners, or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Privateco Shares or convertible securities, options, warrants or derivatives of Privateco;
- (b) none of First Prospect, its ultimate beneficial owners, or parties acting in concert with any of them had dealt in any shares, convertible securities, options, warrants or derivatives of Privateco during the period from the incorporation of the Privateco on 16 September 2011 up to the Latest Practicable Date. None of First Prospect, its ultimate beneficial owners, or parties acting in concert with any of them had entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of Privateco;
- (c) there are no other arrangements, whether by way of option, indemnity or otherwise, in relation to the Privateco Shares or the shares of First Prospect and which may be material to the Privateco Offer;
- (d) other than the Share Sale Agreement, there are no other agreements or arrangements to which First Prospect is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Privateco Offer; and
- (e) as at the Latest Practicable Date, none of First Prospect, its ultimate beneficial owners, or parties acting in concert with any of them had entered into any contracts in relation to the outstanding derivatives in respect of the securities in Privateco and have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Privateco.

Based on the shareholding structure of the Company as at the Latest Practicable Date, First Prospect and parties acting in concert with it will be interested in a total of 172,902,000 Privateco shares, representing approximately 63.19% of the issued share capital of Privateco following the Distribution In Specie. Further announcement(s) will be made as and when appropriate to comply with Rule 3.5(c)(iii) of the Takeovers Code.

H. INFORMATION ON THE REMAINING GROUP

Upon completion of the Group Reorganisation, the Remaining Group will principally engage in design, manufacturing and wholesale of fine jewelry products in the PRC. Fine jewelry generally refers to those genuine jewelry products which (i) are made of precious stones and metals such as diamonds, gemstones, pearls, gold and platinum; (ii) are limited in quantities; and (iii) command higher selling prices than those jewelry products made from synthetic materials. Set out below is the overview of jewelry market in the PRC.

1. Industry Overview

i) Overview of the economy of the PRC

a) Economy growth of the PRC

Demand for jewelry in the PRC is generally driven by the general economic environment and the purchasing power of the Chinese population. Since the introduction of economic reforms by the Chinese government in the late 1970s, the Chinese economy has expanded significantly. According to statistics compiled by National Bureau of Statistics of China (“NBSC”), from 2001 to 2010, China’s nominal gross domestic products (“GDP”) grew from RMB10,965.5 billion to RMB39,798.3 billion, representing a compound annual growth rate (“CAGR”) of approximately 15.4%. During the same period, nominal GDP per capita increased from RMB8,622.0 to RMB29,688.0, representing a CAGR of 14.7%. In the first half of 2011, GDP of China was RMB20,445.0 billion, representing a year-on-year increase of 9.6%.

b) Accelerating rate of urbanisation

With the rapid economic development in the PRC, population in urban cities has increased significantly with the movement of people from rural and less developed areas to urban areas. Urbanisation rate has accelerated in the past decade in the PRC. From 2001 to 2010, the total urban population of China increased by 38.5% or approximately 184.9 million to reach approximately 665.6 million with the urbanisation rate of 49.7% in 2010.

c) Increasingly affluent urban residents

Per capita annual disposable income of urban households has increased substantially since 2001. According to statistics compiled by NBSC, during the period from 2001 to 2010, per capita annual disposable income of urban households in the PRC increased from RMB6,860 to RMB19,109.0, representing a CAGR of approximately 12.1%.

The rise in per capita annual disposable income of urban households results in the increase in purchasing power of Chinese consumers and their consumption. According to statistics compiled by NBSC, per capita annual

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consumption expenditures of urban households in the PRC increased from approximately RMB7,161 in 2001 to approximately RMB15,025 in 2009, representing a CAGR of approximately 9.7%.

The increase in annual consumption expenditures of urban households in the PRC is believed to be in favour of the consumer goods market.

d) Steady and fast growth in China's retail market

As with the increase in consumption expenditures, the retail sales in the PRC also enjoyed steady and fast growth. According to statistics compiled by NBSC, the retail sales of consumer goods in the PRC grew from approximately RMB3,759.5 billion in 2001 to approximately RMB15,455.4 billion in 2010, representing a CAGR of approximately 17.0%. In the first seven months of 2011, the total retail sales of consumer goods reached RMB10,024.0 billion, representing a year-on-year rise of 16.8%.

ii) Jewelry market in the PRC

a) Product segments

The product segments of jewelry market in the PRC can be mainly divided into diamond jewelry, gemstone jewelry, gold jewelry, platinum jewelry and others.

Gold jewelry is the most popular jewelry product in the PRC. According to a jewelry industry report issued by IBISWorld and ACMR in March 2011 (the "Industry Report"), revenue derived from gold jewelry is expected to account for about 40% of industry revenue in the PRC in 2011. Although worldwide gold demand was heavily hit by the global financial crisis in 2008, domestic consumption of gold jewelry in the PRC has been growing steadily in the PRC, with an increase from less than 250 tons in 2005 to about 400 tons in 2010, due to people's growing awareness of value-preservation function of gold. Nowadays, the PRC has become the second-largest gold jewelry consumer country in the world, after India.

Gemstone jewelry (except diamonds) is another important jewelry segment in the country, with major products including jade, emeralds, rubies and sapphires. According to the Industry Report, revenue from gemstone jewelry (excluding diamond) is expected to account for 20% of industry revenue in the PRC in 2011.

Diamond jewelry is a newly emerging jewelry segment in the PRC. According to the Industry Report, revenue derived from diamond jewelry is expected to account for 12% of industry revenue in the PRC in 2011. Currently, sales of diamond jewelry in the PRC are mainly based in urban

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cities where urban residents have greater purchasing power and diamond jewelry is gradually transforming from a luxury product to wedding necessities.

Platinum jewelry market has been growing rapidly in the PRC in recent years and according to the Industry Report, revenue derived from platinum jewelry is expected to account for 8.0% of industry revenue in the PRC in 2011.

Other jewelry categories mainly include silver, pearl and coral jewelry, of which silver and pearl jewelry consumption is more common. Due to its low investment value compared with other jewelry products, silver jewelry has been losing favor in the PRC in recent years, especially in urban cities.

b) Market segments

The market segments of jewelry market in the PRC can be mainly divided into wedding demand, investment demand, collection demand and others.

The wedding market is the traditional and largest jewelry market in China. According to the Industry Report, the wedding market is expected to account for approximately 40% of industry revenue in the PRC in 2011. In recent years, the marriageable population of people born in the 1970s and 1980s has been growing rapidly, contributing to strong growth in jewelry consumption. In 2010, the number of newly married couples was more than 10 million. Jewelry has virtually become an indispensable item for marriage in the PRC and gold jewelry, platinum jewelry and diamond jewelry are most popular. With growing income levels and affluence of the Chinese people in the future, expenditure on jewelry purchases for wedding is expected to increase further.

Jewelry purchases for investment have been growing rapidly in the PRC in recent years. According to the Industry Report, the jewelry investment purchase is expected to account for approximately 30% of industry revenue in the PRC in 2011. This market segment is expected to continue to grow in the future due to people's growing awareness of gold's value-preservation function, instability of international monetary market and global inflation expectation, which prompt more people to purchase jewelry products, especially gold jewelry, for use as a store of value.

Jewelry purchases for collections mainly include high-end jade, emerald and diamond jewelry. This market is relatively small as compared to the wedding market and the investment market. According to the Industry Report, the jewelry collection purchase is expected to account for approximately 15% of industry revenue in the PRC in 2011.

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The other major markets mainly consist of the general accessories market and the gift market, which is expected to account for approximately 15% of industry revenue in 2011.

c) Market size

As household incomes rise and living standards improve, jewelry consumption has increased rapidly in the PRC in recent years. The country has become the largest consumer of gemstone, jade, and platinum jewelry, and the second-largest consumer of gold jewelry (after India) and diamond jewelry (after the United States) in the world.

According to statistics compiled by NSBC, in 2010, sales of gold, silver and jewelry in the PRC was approximately RMB126.1 billion, increased by 46.0% from the previous year. In the first half of 2011, the sales of gold, silver and jewelry was RMB92.1 billion, representing 49.6% higher than that of the same period of 2010.

d) Demand determinants

As jewelry purchases are largely discretionary, jewelry demand relies significantly on household purchasing power and general economic performance. The strong development of the economy in the PRC in the past decade led to rapid growth in jewelry sales.

Another determinant of jewelry products demand is the marriageable population, especially those aged between 20 and 40 years. There are about 10 million newly married couples in the PRC annually. However, China's adoption of family planning policies in 1983 resulted in lower birthrate; marriageable population is therefore expected to decline in the future, which will have a negative impact on jewelry demand.

Jewelry sales are also of high seasonality. The first and fourth quarters usually account for a proportionally greater percentage of annual sales than the other two quarters. Sales are particularly high around public holidays such as Spring Festival, Valentine's Day and National Day. Other sporadic social events, such as the Olympic Games and the World Expo, can also stimulate jewelry sales.

The investment and value storage function of jewelry, gold in particular, has been increasingly realized in the PRC in recent years. Therefore, the availability and performance of other investment channels may affect jewelry demand.

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2. Business model

Upon completion of the Group Reorganisation, the Remaining Group will be principally engaged in the manufacturing and wholesale distribution of fine jewelry products in the PRC.

The Remaining Group's products comprise a wide range of fine jewelry products with different styles predominantly consisting of diamond, gemstone and semi-precious stone products. Most of the Remaining Group's products are designed by its own product development and design team under the model of original design manufacturing. The product development and design team is responsible for studying the latest trends in the fine jewelry industry in terms of product design and use of materials, undertaking projects with the customers to develop new fine jewelry products to be launched by its customers, collecting customers' feedback and recommending new product designs to the sales team. The Directors consider that one of the key strengths of the Remaining Group is its strong product development and design capabilities.

The Remaining Group's major customers are jewelry distributors and retailers in the PRC. Its sales team will regularly attend tradeshows and exhibitions to keep abreast of market trends and then to formulate marketing strategy for different series of jewelry products. The sales team will also visit customers on regular basis to understand the customers' needs and to bring them updated product catalogues and samples.

The typical production process of the Remaining Group's products comprises stone matching, molding (including wax injection, wax setting and gold casting), filing, stone setting, polishing and electroplating, quality assurance and packaging. Most of the production process is carried out in-house by the Remaining Group's factory in Pan Yu, the PRC save for certain processes which are subcontracted to independent subcontractors. The Remaining Group places strong emphasis on quality control and assurance. Its quality control team checks the quality of each piece of product at different stages of production against customers' requirements and randomly re-checks the product at different production stages before polishing and electroplating and finally performing a full quality check on each finished product. The Directors consider that having stringent quality control and assurance is an important operational aspect in the fine jewelry industry.

The Directors believe that, with the increasing affluence of its population, China will be an increasing important market for jewelry manufacturers and retailers and therefore are optimistic about the performance of the Remaining Group in the long term. To capture the business opportunities, the Remaining Group will continue its business strategy to assist the growth of the business of its customers and to focus on developing corporate clients who demand bulk purchases, enlarging and optimizing the product mix, strengthening ties with existing and potential customers as well as maintaining tight cost control to combat the inflationary pressures facing most business operations.

3. Risk factors

i) Risks relating to the business of the Remaining Group

a) Business of the Remaining Group is largely dependent on the global and regional economic environment

The Remaining Group will principally engage in design, manufacturing and wholesale of fine jewelry products in the PRC. Fine jewelry products are not necessities and thus the demand is largely dependent on the global and regional economic environment. If there is any significant economic downturn in the PRC or that the global economy encounters a slowdown or recession, the demand for fine jewelry products may decrease significantly, which might affect the business and financial condition of the Remaining Group adversely.

b) The Remaining Group is exposed to diamond and gold price fluctuations

Diamond and gold are the largest cost items in the business of the Remaining Group given its business nature. For each of the three years ended 31 March 2011, purchase of diamond accounted for approximately 61.0%, 47.0% and 33.7%, respectively, of the total purchase of principal raw materials, and purchase of gold accounted for approximately 39.0%, 53.0% and 66.3%, respectively, of the total purchase of principal raw materials. The prices of diamond and gold fluctuate with the international prices of diamond and gold denominated in US dollars. The international prices of diamond and gold fluctuated significantly in the past. Nevertheless, the Remaining Group did not enter into any hedging transaction or adopt any measures during the past three years to mitigate any associated risk resulting from these price fluctuations. If the international prices of diamond and gold continue to increase to such an extent beyond the expectation of the Remaining Group, cost of sales may increase unexpectedly, which could have an adverse impact on the business and financial condition of the Remaining Group.

c) The Remaining Group is dependent on certain major suppliers

Principal raw materials required by the Remaining Businesses are gold and diamond. The Remaining Group will purchase gold from Bank of China as required under the relevant PRC laws and regulations and source diamond from the local distributors in the PRC and overseas suppliers.

The Remaining Group did not enter into any long-term supply contracts with any of its suppliers. There can be no assurance that the Remaining Group will be able to continue to source sufficient supply of diamond and gold in the future. If any of the existing suppliers ceases to supply diamond

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and gold and the Remaining Group fails to find suitable alternative suppliers at comparable quality and prices, the profitability and prospects of the Remaining Group may be adversely affected.

d) The Remaining Group may not maintain sufficient insurance to cover the risks relating to the business operations

Insurance is important to the business and an essential measure to mitigate the operational risk in relation to finished products, raw materials and work-in-progress. The Remaining Group may not have maintained sufficient insurance covering all the risks in respect of the products. Any material losses, damage and liabilities that are not covered or adequately covered by insurance will result in business interruption or damage in the business reputation of the Remaining Group. In any of these events, the business and financial condition of the Remaining Group could be adversely affected.

e) The Remaining Group may not be able to continue to develop appealing jewelry products

The success of the Remaining Group depends largely on the ability to originate product design, keep abreast of market trends and react promptly to changing consumer preference and demand. Given the wide range of products and quality standard requirements, the constant and efficient supply of raw materials, a team of skillful workforce and stability in craftsmanship are important. There can be no assurance that the Remaining Group will be able to continue to develop appealing jewelry products or successfully meet the fast changing consumer preferences and demands in the future. This could adversely affect the prospects of the Remaining Group.

f) Product designs may infringe others' designs

The Remaining Group provide product designs to customers from time to time. Similar to other designing business, there can be no assurance that the designs of the Remaining Group will not infringe any third parties' designs. During the past three years ended 31 March 2011, the Remaining Group did not receive any material claim of this nature. Nevertheless, there can be no assurance that the Remaining Group will not face such claims in the future. In such event, the business and reputation of the Remaining Group could be adversely affected.

g) The senior management of the Remaining Group may change

The Remaining Group's business is and will continue to be, to a significant extent, attributable to the experience of its senior management. In particular, the business of the Remaining Group is dependent on key personnel with extensive knowledge and experience in the jewelry industry including production operation, sales and marketing and overall strategic

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planning. If the Remaining Group loses the services of any key personnel and is not able to recruit suitable replacement in a timely manner, the management and development of the Remaining Group's business could be adversely affected.

ii) *Risks relating to the jewelry industry in the PRC*

a) *The Remaining Group operates in a highly competitive industry*

Competition in the fine jewelry industry is keen not only on the retail level but also on the chain of suppliers producing fine jewelry products and in aspects of, among others, pricing, product designs, quality control and/or value-added services. The Remaining Group has to constantly improve in all aspects in order to maintain their market share and profitability. There can be no assurance that the Remaining Group will be able to maintain its comparative advantages. If the Remaining Group is unable or fails to maintain its comparative advantages, the business operation and financial position of the Remaining Group might be adversely affected.

b) *The fine jewelry industry requires a constant supply of skilled labour at competitive prices*

Like all other fine jewelry manufacturers, the Remaining Group relies heavily on skilled labour in order to deliver products in good quality. The production facilities of the Remaining Group are located at Pan Yu, Guangzhou, the PRC, which is the centre of fine jewelry manufacturing in South China and hence the Remaining Group has not experienced any large-scale and long term shortage of skilled labour. There can be no assurance that the Remaining Group will not experience such problems in the future. Nor can the Remaining Group give assurance that the compensation packages for skilled labours will not increase substantially in the future. If the Remaining Group is not able to identify cost reduction initiatives, the Remaining Group may lose competitiveness, which would have an adverse impact on the business operation and financial position of the Remaining Group.

iii) *Risks relating to the PRC*

a) *Changes in PRC's political, economic and government policies*

The Remaining Group will conduct business in the PRC with all of its assets currently situated in the PRC and its revenue being generated from products manufactured and sold in the PRC. Accordingly, its business and financial condition are subject to political, economic and government policies development in the country to a significant degree. With the implementation of the "Open and Reform" policy, the PRC has gradually shifted from a planned economy towards a market-oriented economy. However, continued governmental control of the economy may adversely affect the business of the

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Remaining Group and changes in policies and measures of PRC government to regulate the economy may also have a negative effect on the business of the Remaining Group.

b) The enforcement of PRC Labour Contract Law

The National People's Congress of China passed PRC Labour Contract Law (中華人民共和國勞動合同法) on 29 June 2007, which took effect on 1 January 2008 and establishes more stringent requirements and increases the cost to employers, including but not limited to specific provisions related to fixed-term employment contracts, temporary employment, probation, employment without a contract, dismissal of employees, compensation upon termination and overtime work, compared to PRC Labour Law (中華人民共和國勞動法). The labour costs of the Remaining Group may increase due to those new protective labour measures. The Remaining Group cannot give assurance that its labour relationship with its employees under these laws and regulations will remain harmonious as before and that disputes or work strikes will not arise in the future.

4. PRC laws and regulations relating to the PRC jewelry industry

i) Laws and regulations relating to the administration of gold

Pursuant to the “Administrative Regulations on Gold and Silver of the PRC” (中華人民共和國金銀管理條例) promulgated and implemented on 15 June 1983, purchases of gold and silver were made centrally by the People's Bank of China (“PBOC”). No entity or individual was permitted to purchase gold and silver without the consent of the PBOC. All gold and silver produced by mining enterprises, rural communes, brigades, armed forces or individuals engaged in the production of gold and silver (including those with ore exploration, production and smelting as their supplementary business) were required to be sold to the PBOC, and could not be retained individually for sale, exchange or use. Entities requiring gold and silver for use were required to submit a proposal to the PBOC on the proposed use of gold and silver for examination and approval.

On 30 October 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Thereafter, the PBOC ceased its operation in gold allocation and gold purchase. All transactions of gold are now conducted through the SGE, and prices of gold are determined by market demand and supply, which essentially converge with the price of gold in the international market. On 27 February 2003, the State Council promulgated the “Decision of the State Council in relation to Termination of the Second Batch of Administrative Approval Projects and Amendment of the Management Method of Certain Administrative Approval Projects” (國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定) and cancelled the approval requirements for the production, processing and sale of gold. As a result, the policy of “centralized purchase and allocation of gold” as stipulated under the “Administrative Regulations on Gold and Silver of the PRC” has been terminated in practice.

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Since the promulgation of the “Administrative Permission Law of the PRC” (中華人民共和國行政許可法) on 27 August 2003, the State Council reformed the administrative approval system and cleared the outstanding projects which were subject to administrative approval by its departments. The State Council promulgated the “Decision of the State Council on the Enactment of Administrative Permission for Certain Administrative Approval Projects which shall be Retained” (國務院對確需保留的行政審批項目設定行政許可的決定) on 29 June 2004, which has been amended on 29 January 2009. According to the decision, the import and export of gold and gold products remain subject to administrative examination and approval. The authority responsible for such examination and approval is PBOC. Such decision became effective as of 1 July 2004.

ii) Laws and regulations relating to the administration of diamond

The Shanghai Diamond Exchange, authorized by the State Council, is the only diamond exchange in China to handle diamond import and export declaration formalities and diamond transactions. All import and export of diamonds in China are subject to the declaration with the Customs office in the Shanghai Diamond Exchange. Diamond Administration of China shall check and confirm the weight, quality and value of diamonds and issue confirmation certificate for leaving the Shanghai Diamond Exchange.

For the current diamond taxation policy in China, diamonds entering the Shanghai Diamond Exchange from overseas enjoy tax preferential treatment at the stage of import. There is also no tax for diamonds being traded inside the Shanghai Diamond Exchange. Rough diamonds entering the domestic market in China via the Shanghai Stock Exchange are exempted from value-added tax. For polished diamonds entering the domestic market in China via the Shanghai Diamond Exchange, the portion of the actual tax burden of value added tax for the import link in excess of 4% will be refunded immediately upon payment.

iii) Laws and regulations relating to environmental protection

The PRC government has formulated a comprehensive set of environmental protection laws and regulations that cover areas such as land rehabilitation, sewage discharge and waste disposal. The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) regulates matters relating to environmental protection in the PRC and formulates the national standards on environmental quality and discharge of pollutants. The environmental protection departments at the county level or above are responsible for matters relating to environmental protection under their own jurisdictions.

The “Environmental Protection Law of the PRC” (the “Environmental Protection Law”) (中華人民共和國環境保護法) and the “Administrative Regulations on Environmental Protection for Construction Projects” (建設項目環境保護管理條例) stipulate that prior to construction of new production facilities or expansion or transformation of existing facilities which may cause a

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significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards.

Pursuant to the requirements of the “Environmental Protection Law”, any production facilities that could possibly cause pollution or other public hazards shall adopt measures on environmental protection and shall establish a system on environmental protection and administration. Effective measures shall be adopted to prevent and control the pollution and harm caused to the environment by the emission of exhaust air, sewage, waste residues, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation. Enterprises that discharge pollutants shall register with the relevant environmental protection authority. The Ministry of Environmental Protection of the PRC shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. The local governments may formulate local standards which are more stringent than the national ones. Pursuant to the requirements under the “Law on Prevention of Water Pollution of the PRC” (中華人民共和國水污染防治法), “Law on Prevention of Air Pollution of the PRC” (中華人民共和國大氣污染防治法) and “Administrative Regulations on Levy and Utilization of Sewage Charge” (排污費徵收使用管理條例), enterprises which discharge water or air pollutants shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

In accordance with the “Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC” (中華人民共和國固體廢物污染環境防治法), entities and individuals collecting, storing, transporting, utilizing, or disposing of solid waste shall take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures for preventing such solid waste from polluting the environment.

The penalties for any breach of the “Environmental Protection Law” vary from warnings, fines to administrative sanctions depending on the degree of damage. Any entity whose construction projects fail to satisfy the requirements on pollution prevention may be ordered to suspend its production or operation and be subject to a fine. The responsible person of the entity may be liable to criminal liabilities for serious breaches resulting in significant loss to private or public property or personal death or injury. In addition, in cases where the pollution causes damage to others, civil indemnification to victims will be required.

LETTER FROM THE BOARD

I. FINANCIAL AND TRADING PROSPECT OF THE REMAINING BUSINESSES

Following Share Sale Completion and the completion of the Distribution In Specie, the Remaining Group will be principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

Set out below is a summary of the financial information relevant to the Remaining Businesses and the PRC jewelry retail business (which will be terminated pursuant to the Group Reorganisation), for the three financial years ended 31 March 2011 as extracted from note 36 to the accountants' report of Privateco as set out in Appendix III to this circular:

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	57,931	38,834	58,075
Gross profit	8,399	4,728	7,106
Profit/(loss) before income tax	4,233	(2,173)	226
Profit/(loss) for the year	4,233	(2,173)	226

The management discussion and analysis of the Remaining Businesses and the PRC jewelry retail business (which will be terminated pursuant to the Group Reorganisation), is set out in Appendix IV to this circular.

Despite the weak global economy, the management is optimistic about the Remaining Group's business performance in the upcoming financial year given the strong economic growth, accelerating rate of urbanisation, increasingly affluent urban residents in the PRC and steady and fast growth in China's retail market as described in the paragraph headed "1. Industry Overview" under the section headed "H. Information on the Remaining Group" in this letter from the Board, which is believed to drive demand for luxury goods. Nevertheless, cost concerns arising from inflationary pressures are ascending to the top of the agenda of most business operators. The Remaining Group will continue to strengthen its business fundamentals and cost control to facilitate long-term growth.

The Remaining Group will maintain its focus on developing corporate clients who demand bulk purchases. In addition, efforts will continue to be placed on enlarging and optimizing the product mix, which has been key to success in strengthening ties with existing and potential customers. The Company has also been informed by Resources Rich that it had not entered into any agreement, arrangements, intention or negotiations in relation to termination or scaling-down of the Remaining Group's ordinary course of business as at the Latest Practicable Date.

LETTER FROM THE BOARD

J. GENERAL

EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals and the respective transactions contemplated thereunder by the Independent Shareholders by way of poll at the EGM. First Prospect, Barton, Ms. Chiu, Mr. Yau, Resources Rich, have confirmed that they and their respective associates and parties acting in concert will abstain from voting on the relevant resolutions at the EGM. Shareholders who are involved or interested in the Special Deals and the transactions contemplated thereunder will also be required to abstain from voting on the relevant resolutions at the EGM.

As at the Latest Practicable Date, First Prospect, its associates and parties acting in concert with it, and Barton, its associates and parties acting in concert with it held 172,902,000 Shares and 24,240,000 Shares, representing approximately 63.64% and 8.92% of the issued Shares as at the date of the Share Sale Agreement respectively and approximately 63.19% and 8.86% of the issued Shares as at the Latest Practicable Date respectively.

A notice convening the EGM is set out on pages N-1 to N-4 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the share registrar of the Company, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

Independent Board Committee and Joint Independent Financial Advisers

The Independent Board Committee comprising all the independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders regarding the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals and the respective transactions contemplated thereunder.

Messis Capital Limited and Veda Capital Limited have been appointed as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Premium and Reserve Application, the Distribution In Specie, the Special Deals and the respective transactions contemplated thereunder. The appointment of Messis Capital Limited and Veda Capital Limited has been approved by the Independent Board Committee.

LETTER FROM THE BOARD

K. RECOMMENDATION

The Board believes that the terms of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are fair and reasonable and the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals.

In addition, your attention is drawn to the letter from the Independent Board Committee set out on pages 43 to 44 of this circular which contains its recommendation to the Independent Shareholders in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals, based on the advice from the Joint Independent Financial Advisers set out on pages 45 to 72 of this circular which contains their recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

L. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Noble Jewelry Holdings Limited
Mr. Chan Yuen Hing
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals.



NOBLE JEWELRY HOLDINGS LIMITED 億 鑽 珠 寶 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00475)

30 September 2011

To the Independent Shareholders

Dear Sir or Madam,

**(1) TRANSFER OF SHARES IN NOBLE JEWELRY HOLDINGS LIMITED
TO RESOURCES RICH CAPITAL LIMITED
(2) GROUP REORGANISATION OF NOBLE JEWELRY HOLDINGS LIMITED
(3) SHARE PREMIUM AND RESERVE APPLICATION
(4) DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES
AND
(5) SPECIAL DEALS/
EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 30 September 2011 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definition” of the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from Messis Capital Limited and Veda Capital Limited, being the Joint Independent Financial Advisers appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals as set out on pages 45 to 72 of the Circular, and the letter from the Board set out on pages 8 to 42 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Messis Capital Limited and Veda Capital Limited as stated in their letter of advice, we consider that the terms of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals.

Yours faithfully,
Independent Board Committee
Noble Jewelry Holdings Limited

Mr. Chan Cheong Tat

Mr. Tang Chiu Ming Frank

Mr. Yu Ming Yang

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the text of the letter of advice from Messis Capital Limited and Veda Capital Limited, the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders for inclusion into this circular.



30 September 2011

*To: Independent Board Committee and Independent Shareholders of
Noble Jewelry Holdings Limited*

Dear Sir/Madam,

**(1) TRANSFER OF SHARES IN NOBLE JEWELRY HOLDINGS LIMITED
TO RESOURCES RICH CAPITAL LIMITED
(2) GROUP REORGANISATION OF NOBLE JEWELRY HOLDINGS LIMITED
(3) SHARE PREMIUM AND RESERVE APPLICATION
(4) DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES
AND
(5) SPECIAL DEALS/EXEMPT CONTINUING CONNECTED
TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals and the respective transactions contemplated thereunder, and details of which are set out in the circular dated 30 September 2011 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

On 7 September 2011, the Vendors, Resources Rich and Mr. Chan entered into the Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell and Resources Rich has conditionally agreed to purchase the Sale Shares, being the aggregate interest of 197,142,000 Shares held by the Vendors, representing approximately 72.56% of the entire issued share capital of the Company as at the date of the Share Sale Agreement or approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date, at an aggregate consideration of HK\$242,484,660, representing HK\$1.23 per Sale Share. During the period from the publication of the Joint Announcement up to the Latest Practicable Date, the Company issued an aggregate of 1,910,000 Shares pursuant to the exercises of the Share Options. As at the Latest Practicable Date, there are 273,610,000 Shares in issue and outstanding Share Options conferring the rights to Mr. Chan, being the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares. The Share Sale Agreement is conditional upon, among other things, the completion of the Group Reorganisation. Please refer to the sub-section headed

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

“Conditions precedent” under the section headed “Share Sale Agreement” in the letter from the Board of the Circular (the “**Letter from the Board**”) for further details of the conditions of the Share Sale Agreement.

Subject to the Independent Shareholders’ approval on the Share Premium and Reserve Application having been obtained at the EGM, the Directors will be authorised to apply the entire amount standing to the credit of the share premium account of the Company for the implementation of part of the Distribution In Specie. Subject to Share Sale Completion taking place, the Company will distribute all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (being a date falling before the date of Share Sale Completion to be fixed by the Board for determining entitlements to the Distribution In Specie) on the basis of one Privateco Share for each Share held. The Distribution In Specie is conditional upon, among other things, the Share Premium and Reserve Application and Share Sale Completion.

To rationalise the tenancy arrangements between the Privateco Group and the Remaining Group and to delineate the premises at which the businesses of the Privateco Group and the Remaining Group will be operated, (i) Guangzhou Sinoble (a member of the Remaining Group) and Italina (a company beneficially wholly owned by Mr. Yau) will enter into the Guangzhou Sinoble Lease Agreement; (ii) Guangzhou Yizuan (a member of the Privateco Group) and Italina will enter into the Guangzhou Yizuan Lease Agreement; and (iii) Guangzhou Sinoble and Guangzhou Yizuan will enter into the Dormitory Lease Agreement, respectively. The Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement will be entered into as part of the Group Reorganisation, the completion of which is among one of the pre-conditions for Share Sale Completion. Each of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement will constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to the Joint Independent Financial Advisers’ opinion that the respective terms of each of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement are fair and reasonable and the approval by the Independent Shareholders by way of poll at the EGM.

Subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options on the basis of (i) HK\$1.23 in cash for each Share held; and (ii) HK\$0.01 in cash for cancellation of Share Option carrying right to subscribe for one Option Share. Upon completion of the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it) on the basis of HK\$0.50 in cash for each Privateco Share held.

An Independent Board Committee comprising Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang, being independent non-executive Directors, has been established to give advice and recommendation to the Independent Shareholders in respect

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

of the terms of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals. All the members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals and thus are suitable to give advice and recommendation to the Independent Shareholders. Our appointment as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee.

We do not, by this letter, warrant the merits of the above transactions, other than to form an opinion, for the purpose of the Listing Rules and the Takeovers Code. Our role as the Joint Independent Financial Advisers is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are (i) fair and reasonable so far as the Independent Shareholders are concerned; and (ii) in the interests of the Company and the Independent Shareholders as a whole, and in this connection, advise the Independent Shareholders on how to vote on the resolution(s) in respect of the above at the EGM.

BASIS OF OUR OPINION

We have relied on the statements, information and representations contained or referred to in this Circular and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in this Circular and all information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were provided and made and will continue to be so 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 the 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 Directors and the management of the Company. 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 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 this Circular, 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 Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our opinion in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals (the “**Proposal**”) to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Principal terms of the Proposal, the Listco Offers and the Privateco Offer

Set out below are the principal terms of the Proposal, the Listco Offers and the Privateco Offer as extracted from the Circular. Further details of the terms of the Proposal, the Listco Offers and the Privateco Offer, including conditions precedent thereof, are set out in the Letter from the Board and Appendix I to the Circular.

1.1 The Proposal

(i) Share Premium and Reserve Application

Subject to obtaining the Independent Shareholders’ approval on the Share Premium and Reserve Application at the EGM, the Directors will be authorised to apply the entire amount standing to the credit of the share premium account to the Company, which amounted to approximately HK\$79.8 million as at 31 March 2011, for the implementation of part of the Distribution In Specie.

The Share Premium and Reserve Application allows the Company to have sufficient distributable reserves to facilitate the implementation of the Distribution In Specie. The Share Premium and Reserve Application is subject to the approval by the Independent Shareholders at the EGM.

(ii) Distribution In Specie

Subject to Share Sale Completion taking place, the Company will distribute all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (being a date falling before the date of Share Sale Completion, which is to be fixed by the Board for determining entitlements to the Distribution In Specie) on the basis of one Privateco Share for every Share held.

The Distribution In Specie will be effected by distribution from the amount standing to the credit of the share premium account and the reserve account of the Company and the amount to be distributed will be equivalent to the carrying amount of the Privateco Group which will be ascertained immediately prior to Share Sale Completion.

The Privateco Shares when issued will rank *pari passu* in all respects with each other. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As a result of the Distribution In Specie, Privateco and its subsidiaries will cease to be subsidiaries of the Company, and the Remaining Group will carry on the Remaining Businesses, being design, manufacturing and wholesale of jewelry products in the PRC.

The Distribution In Specie is conditional upon, among other things, Share Sale Completion and the approval from the Independent Shareholders at the EGM. Completion of the Distribution In Specie will not take place unless all the conditions precedent of the Distribution In Specie have been fulfilled. Subject to Share Sale Completion and completion of the Distribution In Specie, First Prospect will make the Privateco Offer to the Privateco Shareholders in accordance with the Takeovers Code .

(iii) Special Deals

Having discussed with the management of the Company, we are given to understand that the premises under the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement (the “**Lease Agreements**”) were previously leased by Guangzhou Sinoble and a lease agreement (the “**Previous Agreement**”) dated 21 December 2009 had been entered into between Guangzhou Sinoble, as a tenant, and Italina, as a landlord. We have been provided a copy of the Previous Agreement by the Company and have reviewed the terms of the Previous Agreement and noted that the terms of the Previous Agreement starting on 1 May 2008 and ending on 30 April 2021. The monthly rent payable is RMB14 per square metre for the first three-year lease term (i.e. between 1 May 2008 and 30 April 2011) which will be increased by RMB1 per square meter every two years thereafter. We have not identified any major discrepancy among the terms of the Lease Agreement and the Previous Agreement. In order to rationalise the tenancy arrangements between the Privateco Group and the Remaining Group and to delineate the premises at which the businesses of the Privateco Group and the Remaining Group will be operated, (i) Guangzhou Sinoble (a member of the Remaining Group) and Italina (a company beneficially wholly owned by Mr. Yau) will enter into the Guangzhou Sinoble Lease Agreement; and (ii) Guangzhou Yizuan (a member of the Privateco Group) and Italina will enter into the Guangzhou Yizuan Lease Agreement. The Lease Agreements will be entered as part of the Group Reorganisation, the completion of which is one of the pre-conditions of the Share Sale Completion.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Set out below are the key terms of each of the Lease Agreements:

(1) Guangzhou Sinoble Lease Agreement

Lessor:	Italina, a company beneficially wholly owned by Mr. Yau
Lessee:	Guangzhou Sinoble, a wholly-owned subsidiary of the Remaining Group
Property:	Certain premises with a construction area of 370 square meters situated at Zone A on the first floor, Block 13, Shawan Jewelry Industry Park, 999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, the PRC for manufacturing purpose
Term:	From 1 September 2011 to 30 April 2021 (both days inclusive)
Rent:	RMB15 per square meter per month for the first 20-month lease term which will be increased by RMB1 per square meter every two years thereafter. The rent was determined after arm's length negotiation and with reference to the prevailing market rent.
Deposit:	RMB16,650
Management fee:	RMB1.32 per square meter per month

(2) Guangzhou Yizuan Lease Agreement

Lessor:	Italina, a company beneficially wholly owned by Mr. Yau
Lessee:	Guangzhou Yizuan, a wholly-owned subsidiary of the Privateco Group
Property:	Certain premises with a construction area of 8,066.2 square meters situated at Zone B on the first floor and the second, third and fourth floors, Block 13, Shawan Jewelry Industry Park, 999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, the PRC for manufacturing purpose
Term:	From 1 September 2011 to 30 April 2021 (both days inclusive)
Rent:	RMB15 per square meter per month for the first 20-month lease term, which will be increased by RMB1 per square meter every two years thereafter. The rent was determined after arm's length negotiation and with reference to the prevailing market rent.
Deposit:	RMB362,979
Management fee:	RMB1.32 per square meter per month

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Having reviewed the terms of the Lease Agreements and discussed with the management of the Company, we are given to understand that the premises to be leased under the Guangzhou Sinoble Lease Agreement have been used for sales and marketing, design, molding and provision of customer services for Guangzhou Sinoble whereas the premises to be leased under the Guangzhou Yizuan Lease Agreement have been used for the purpose of the design, product development and manufacturing operations of Guangzhou Yizuan. We are of the view that the entering into the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement will facilitate the operations of the Remaining Group and the Privateco Group under delineated premises. Avista Valuation Advisory Limited, an independent qualified professional valuer who is a professional member of Hong Kong Institute of Surveyors (General Practice), has been engaged by the Company to review the Lease Agreements and an opinion letter has been issued on 30 September 2011, in which the independent valuer confirms that the terms of the Lease Agreements are consistent with the market rents for similar premises in similar locations and are fair and reasonable. We have discussed with the independent valuer the methodologies, bases and assumptions adopted on opining the market rents of the Lease Agreements. We are given to understand that the independent valuer has compared the leases made by Italina or company(ies) beneficially owned by Mr. Yau, to Guangzhou Sinoble and Guangzhou Yizuan and to independent third parties, and noted that the leases made by Italina or company(ies) beneficially owned by Mr. Yau, to Guangzhou Sinoble and Guangzhou Yizuan and to independent third parties are generally on similar prices. Besides, comparison based on asking rental of comparable properties in similar locations has been done by the independent valuer. Based on the aforementioned and discussion with the independent valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the methodologies adopted and the bases used in arriving at the opinion. We have also discussed with the management of the Company about the rationale for the duration of the Lease Agreements and we are given to understand that the relevant leases are of significance to the operations of Guangzhou Sinoble and Guangzhou Yizuan respectively. In this connection, the long lease term of almost 10 years is required so as to avoid the unnecessary disruption to the respective operations of Guangzhou Sinoble and Guangzhou Yizuan that might arise if the lease of the premises is a short term lease.

Given the rental payable under the Lease Agreements was determined on the basis of similar premises in similar locations and long term leasing arrangement has commercial justification and is necessary for Guangzhou Sinoble and Guangzhou Yizuan to pursue their respective long term business development, we are of the view that the entering into the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We consider the terms of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

1.2 The Listco Offers

Upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.56% of the issued share capital of the Company as at the date of the Share Sale Agreement or approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date. Subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers, which are unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options on the following basis:

for each Share held HK\$1.23 in cash

**for cancellation of Share Option carrying right
to subscribe for one Option Share HK\$0.01 in cash**

The making of the Listco Offers is subject to Share Sale Completion which in turn is subject to a number of conditions precedent as referred to in the paragraph headed “Conditions precedent” in the section headed “A. Share Sale Agreement” set out in the Letter from the Board of the Circular and therefore is a possibility only and it may or may not proceed.

During the period from the publication of the Joint Announcement up to the Latest Practicable Date, the Company issued an aggregate of 1,910,000 Shares pursuant to the exercises of the Share Options. As at the Latest Practicable Date, there are 273,610,000 Shares in issue and outstanding Share Options conferring the rights to Mr. Chan, being the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares at HK\$1.27 per Option Share.

As at the Latest Practicable Date, Mr. Chan held Share Options conferring the right to subscribe for 200,000 Option Shares and has irrevocably and unconditionally undertaken to Resources Rich under the Share Sale Agreement that he will not (i) exercise any subscription rights attached to the Share Options held by him prior to the close of the Listco Offers, and (ii) accept the Listco Option Offer. It is stated in the Joint Announcement that, save for the aforesaid, Resources Rich has not received any indication or irrevocable commitment from any Shareholder or holders of the Share Options that it/he/she will accept or reject the Listco Offers as at the date of the Joint Announcement.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the Listco Offers amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration or the then market price of the Shares (whichever is higher) will be payable by the accepting Shareholders and will be deducted by Resources Rich from the consideration payable to them on acceptance of the Listco Offers. Resources Rich will then pay the stamp duty on behalf of the accepting Shareholders.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Resources Rich stated in the Joint Announcement its intention to maintain the listing status of the Company and that it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement upon the closing of the Listco Offers.

1.3 The Privateco Offer

Based on the shareholding structure of the Company as at the Latest Practicable Date and information provided by First Prospect and assuming no other changes in their ownership of shares, First Prospect and parties acting in concert with it will be interested in a total of 172,902,000 Privateco Shares, representing approximately 63.19% of the issued share capital of Privateco immediately following the Distribution In Specie. Given that the Privateco Shares will not be listed on the Stock Exchange or other stock exchange, it will be difficult, if not impossible, for holders of the Privateco Shares to liquidate their holdings in the Privateco Shares. First Prospect considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

After Share Sale Completion and completion of the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it) on the following basis:

for each Privateco Share held HK\$0.50 in cash

* *The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

As the Privateco Offer will only be made following Share Sale Completion and the completion of the Distribution In Specie, and the Share Sale Completion is subject to a number of conditions precedent to the Share Sale Agreement, the making of the Privateco Offer may or may not proceed and, as such is a possibility only. In the event that the Privateco Offer is made, it will be an unconditional cash offer.

Subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act, First Prospect stated its intention in the Joint Announcement to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Details of the compulsory acquisition right are set out in the paragraph headed in “Compulsory acquisition right” in Appendix I to the Circular.

The Privateco Shares subject to the Privateco Offer will be acquired by First Prospect with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Given that Privateco is incorporated in Bermuda where its register of members is located and maintained, no Hong Kong stamp duty will be payable on any transfer of the Privateco Shares.

2. Reasons for the Group Reorganisation and the Proposal

The Company has been informed that during the negotiations amongst the parties to Share Sale Agreement, Resources Rich has indicated that it is not interested in the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provides an option for the Independent Shareholders to keep or through the Privateco Offer dispose of their investments in the Distributed Businesses. The Privateco Offer provides a cash exit option to the Independent Shareholders (at HK\$0.50 per Privateco Share) to realise all or part of their shareholding in Privateco, which are unlisted and may be illiquid, upon completion of the Distribution In Specie. In addition, upon Share Sale Completion, Resources Rich will become a controlling Shareholder and is obliged to make the Listco Offers, which are unconditional mandatory cash offers, to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and the parties acting in concert with it) at HK\$1.23 per Share and to cancel the outstanding Share Options at HK\$0.01 for Share Option carrying right to subscribe for one Option Share.

The Listco Offers and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of its/his/her interests in the Company and in Privateco following Share Sale Completion and the Distribution In Specie at a premium of approximately 50.43% over the closing price of the Shares of HK\$1.15 as quoted on the Stock Exchange on the trading day prior to the issue of the Joint Announcement. As such, the Board considers that it is in the interests of the Independent Shareholders to provide them with an opportunity to consider and, if thought fit, approve the resolutions in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals at the EGM.

For those Shareholders who wish to retain their investments in the Distributed Businesses after Share Sale Completion and the Distribution In Specie, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that the Privateco Shares may be subject to the compulsory acquisition provision to the Companies Act (as may be amended from time to time) if sufficient Privateco Shares are acquired by First Prospect under the Privateco Offer. Details of the compulsory acquisition right are set out in Appendix I to the Circular.

Pursuant to the Share Sale Agreement, Share Sale Completion is conditional upon, among other things, the completion of the Group Reorganisation and passing at the EGM of resolutions approving the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals. The Distribution In Specie is conditional upon, among other things, the Group Reorganisation. The Distribution In Specie in turn will lead to the Privateco Offer, and its approval by the Shareholders being a condition precedent to the

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Share Sale Completion, will ultimately lead to the Listco Offers. Based on the aforementioned, the Directors are of the view that the Group Reorganisation is in the interests of the Shareholders as a whole.

In light of the above and having considered the fact that the completion of the Group Reorganisation and the Proposal will provide an opportunity to the Shareholders to realise all or part of their investments through the Listco Offers and the Privateco Offer at a Combined Offer Price (as define below) which has premium over the audited consolidated net asset value of the Group as at 31 March 2011 based on the Accountants' Report of the Company set out in Appendix II to the Circular and closing price of the Shares during the Review Period (as define below), we consider that the Proposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Information of the Remaining Group and the Privateco Group

The Group is principally engaged in the design, manufacturing and trading of fine jewelry products. Its principal customers are located in the US, Europe, Middle East, Asia-Pacific region and the PRC. The Group is also engaged in retail of fine jewelry in the US, Spain and the PRC.

The Remaining Group will comprise the Company's 100% interest in Remaining Holdco and the Remaining Group Entities, which will be principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

The Distributed Businesses to be operated by the Privateco Group will consist principally of the 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. Pursuant to the Group Reorganisation, the PRC Entities will be transferred to the Privateco Group and the Privateco Group will continue to operate jewelry retail business in the PRC until it is completely wound down by the end of 2011.

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3.1 Financial performance of the Company

Set out below is a summary of the audited financial information of the Company for each of the three years ended 31 March 2011 as set out in Appendix II to the Circular. Such financial information mainly comprises the operating results and financial positions of the Remaining Businesses and the Distributed Businesses.

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Turnover	631,947	521,328	643,399
Gross profit	147,601	137,919	151,726
Other revenue	3,657	2,454	7,941
Profit/(loss) before income tax	5,599	7,921	(6,009)
Profit/(loss) attributable to			
— Owners of the Company	1,330	3,140	(8,574)
— Non-controlling interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
Profit/(loss) for the year	1,330	3,051	(10,414)
Earnings/(loss) attributable to owners of the Company per Share (<i>HK cents</i>) *	0.49	1.15	(3.13)
	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Net assets attributable to owners of the Company	254,327	258,279	259,139
Net asset value per Share (<i>HK\$</i>) *	0.93	0.94	0.95

* Based on 273,610,000 Shares in issue as at the Latest Practicable Date

The turnover of the Group decreased by approximately 17.5% from HK\$631.9 million for the year ended 31 March 2009 to approximately HK\$521.3 million for the year ended 31 March 2010. The decrease in the turnover of the Group in 2009/10 was affected by sluggish demand of jewelry products in the US and Europe as a result of the lingering effect of financial crisis. Besides, one of the Group's top customers went into debt restructuring and as a result, the customer concerned terminated business relationship with the Group in 2009/10.

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Despite the gross profit of the Group decreased slightly from approximately HK\$147.6 million in 2008/09 to approximately HK\$137.9 million in 2009/10 due to the corresponding drop in the turnover of the Group, the gross profit margin increased slightly to approximately 26.5% in 2009/10 from approximately 23.4% in 2008/09 as a result of streamlining operations and adopting cost control measures as well as implementing business and market diversification strategies. The Group recorded a net profit attributable to owners of the Company of approximately HK\$3.1 million for the year ended 31 March 2010 as compared with the last corresponding year a net profit attributable to owners of the Company of approximately HK\$1.3 million.

For the year ended 31 March 2011, the turnover of the Group amounted to approximately HK\$643.4 million with an increase of approximately 23.4% as compared with approximately HK\$521.3 million for the year ended 31 March 2010. The increase in turnover of the Group in 2010/11 was due to the gradual recovery of the global economy. Despite the increase in turnover, the Group recorded a net loss attributable to owners of the Company of approximately HK\$8.6 million for the year ended 31 March 2011 as a result of provision of approximately HK\$29.84 million had been recognized in the consolidated statement of comprehensive income subsequent to the reaching of a final settlement in connection with a dispute with the US Customs Services in relation to customs duties payable for purchases from the Company's wholly-owned subsidiary.

3.2 Financial information and prospects of the Remaining Group

Set out below is a summary of the audited financial information of the Remaining Businesses and the PRC jewelry retail businesses (which will be terminated pursuant to the Group Reorganisation) (the “**Retained Businesses**”) for each of the three years ended 31 March 2011 as extracted from note 36 to the Accountants' Report of Privateco as set out in Appendix III to the Circular. For the avoidance of doubt, despite that the Group carries out the PRC jewelry retail business through the PRC Entities and Guangzhou Sinoble (which is one of the Remaining Group Entities) during the three financial years ended 31 March 2011, pursuant to the Group Reorganisation, the Remaining Group will cease the PRC jewelry retail business by transferring its equity interest in the PRC Entities to the Privateco Group and terminating Guangzhou Sinoble's retail consignment arrangements and franchise agreement in relation to the PRC jewelry retail business. The PRC jewelry retail business will form no part of the Remaining Businesses upon completion of the Group Reorganisation.

	For the year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Turnover	57,931	38,834	58,075
Gross profit	8,399	4,728	7,106
Profit/(loss) before income tax	4,233	(2,173)	226
Profit/(loss) for the year	4,233	(2,173)	226

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	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Net asset value	7,784	4,638	5,751

The turnover of the Retained Businesses decreased by approximately 33.0% from approximately HK\$57.9 million for the year ended 31 March 2009 to approximately HK\$38.8 million for the year ended 31 March 2010 as a result of the negative effects of financial crisis in 2008 continued to linger. The Retained Businesses recorded a net loss of approximately HK\$2.2 million in 2009/10 as compared with a net profit of approximately HK\$4.2 million in 2008/09 due to the increase in administrative expenses as a result of the rapid expansion of the retail business in the PRC.

With the recovery in the global economy, the jewelry market in the PRC benefited from the increasingly strong domestic consumption sentiment. As a result, the turnover for the year ended 31 March 2011 increased by approximately 49.5% from the previous year. As a result of the increase in turnover and the decrease in distribution expenses, the Retained Businesses recorded a net profit of approximately HK\$0.2 million in 2010/11 as compared with loss making in 2009/10.

As stated in the paragraph headed “Intention of Resources Rich regarding the Remaining Group” set out in Appendix I to the Circular, Resources Rich intends to continue the principal business of the Remaining Group (i.e. the manufacture and wholesale jewelry business in the PRC). Following Share Sale Completion, Resources Rich will conduct a review on the business operations and financial position of the Remaining Group for the purpose of formulating business plans and strategies for the future business development of the Remaining Group. Subject to the result of the review and should suitable investment or business opportunities arise, Resources Rich may consider diversifying the business of the Remaining Group with an objective to broaden its income source. Resources Rich intends to maintain the listing status of the Company which comprises only the Remaining Group upon the closing of the Listco Offers.

As at the Latest Practicable Date, no such investment or business opportunities have been identified nor Resources Rich has entered into any agreement, arrangements, understandings, intention or negotiation in relation to inject any assets or business into the Remaining Group. Notwithstanding the foregoing, Resources Rich has not entered into any agreement, arrangements, intention or negotiations in relation to re-deployment of the employees, disposal and/or re-deployment of the assets of the Remaining Group, or termination or scaling-down of any Remaining Group’s business, other than in its ordinary course of business.

3.3 Prospects of the Privateco Group

As stated in the paragraph headed “Background of First Prospect and its intention regarding Privateco” set out in Appendix I to the Circular, First Prospect intends not to make changes to Privateco Group’s principal businesses nor conduct any business other than the Distributed Businesses. Moreover, the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained.

The management discussion and analysis of the Distributed Businesses is set out in Appendix IV to the Circular. Although the turnover of the Distributed Businesses has been recovered in 2010/11 as compared with the turnover in 2009/10, it has recorded a net loss of approximately HK\$10.1 million as a result of the increase in administrative expenses due to the increase in staff costs and the provision for the customs duties payable for purchases of the Privateco Group’s wholly-owned subsidiary for the year ended 31 March 2011. The financial performance of the Distributed Businesses in future is hinged on (i) the fluctuation of price of raw material, i.e. gold and diamond, and inflationary pressure on production costs; (ii) the risks associated with the demand of the Distributed Businesses’ jewelry products which is largely dependent on the global and regional economic environment; and (iii) the Renminbi exchange rate.

4. The Listco Offers and the Privateco Offer

The making of the Listco Offers and the Privateco Offer is subject to Share Sale Completion (which in turn is subject to a number of conditions precedent as referred to in the paragraph headed “Conditions precedent” in the section headed “A. Share Sale Agreement” in the Letter from the Board of the Circular) and the Distribution In Specie and therefore is a possibility only and it may or may not proceed. The Listco Offers and the Privateco Offer will only be made after the Share Sale Completion and the Distribution In Specie respectively. Having considered that (i) the Privateco Shares will not be listed on the Stock Exchange or other stock exchange and the Privateco Shareholders has an opportunity to realise their holdings in the Privateco Shares under the Privateco Offer; (ii) the fact that the existing market price of the Shares reflects the investors’ perception value of the Remaining Group and the Privateco Group; and (iii) the Independent Shareholders will become the Privateco Shareholders upon the completion of the Distribution In Specie; we consider it is fair and reasonable to analyse the Listco Offers and the Privateco Offer on a combined basis (the “**Combined Offer**”) for the purpose of evaluating the potential return that the Independent Shareholders will be able to receive following completion of the Proposal. The detailed analysis on the Listco Offers and the Privateco Offer will be set out in the respective offer documents in relation to the Listco Offers and the Privateco Offer to be sent to the Shareholders and the Privateco Shareholders respectively, in the event that the Share Sale Agreement and the Distribution In Specie are completed respectively.

4.1 The Listco Offers

Upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date and will be required under the Takeovers Code to make an unconditional mandatory cash offer to the Shareholders to acquire all the Shares other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it and to make an appropriate offer to cancel the outstanding Share Options.

Subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich, make an unconditional mandatory cash offer to the Shareholders to acquire all the Shares other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it, on the basis of HK\$1.23 in cash for each Share and to make an appropriate offer to cancel the outstanding Share Options on the basis of HK\$0.01 in cash for Share Option carrying right to subscribe for one Option Share.

As at the Latest Practicable Date, there are 273,610,000 Shares in issue. Based on the price of HK\$1.23 for each Share under the Listco Share Offer, the entire issued share capital of the Company is valued at HK\$336,540,300. Excluding 197,142,000 Shares to be held by Resources Rich and parties acting in concert with it upon Share Sale Completion and given Mr. Chan's irrevocable undertaking not to exercise the subscription rights attached to the Share Options he held prior to the close of the Listco Share Offer and not to accept the Listco Option Offer, 76,468,000 Shares (at the Listco Share Offer price of HK\$1.23 per Share) and no outstanding Share Options will be subject to the Listco Offers and the Listco Offers are valued at an aggregate amount of HK\$94,055,640.

4.2 The Privateco Offer

Based on the shareholding structure of the Company as at the Latest Practicable Date, First Prospect and parties acting in concert with it will be interested in a total of 172,902,000 Privateco Shares, representing approximately 63.19% of the issued share capital of Privateco following the Distribution In Specie. Given that the Privateco Shares will not be listed on the Stock Exchange or other stock exchange, it will be difficult, if not impossible, for the Privateco Shareholders to liquidate their holdings in the Privateco Shares. First Prospect considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

After Share Sale Completion and completion of the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it) on the basis of HK\$0.50 in cash for each Privateco Share.

It is stated in the Joint Announcement that the Privateco Offer price of HK\$0.50 per Privateco Share has been determined after taking into account factors including (i) the consolidated net asset value of the Group as at 31 March 2011, taking into consideration the effect of the Group Reorganisation, which includes the intended settlement or assignment of, among others, certain trademarks, inventory, interests and inter-group balances between the Remaining Group and the Privateco Group; (ii) the Listco Share Offer price of HK\$1.23 per Share; (iii) the prevailing market prices of Shares as disclosed in the section headed “Comparison of the combined offer price with market prices of the shares and net asset value per Share” in the Joint Announcement; and (iv) the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day.

Based on the shareholding structure as at the Latest Practicable Date and given Mr. Chan’s irrevocable undertaking not to exercise the subscription rights attached to the Share Options he held prior to the close of the Listco Share Offer and not to accept the Listco Option Offer, 273,610,000 Privateco Shares will be in issue upon completion of the Distribution In Specie and based on the Privateco Offer price of HK\$0.50 per Privateco Share, the entire issued share capital of Privateco is valued at HK\$136,805,000. Assuming Share Sale Completion and completion of the Distribution In Specie taking place and based on 172,902,000 Privateco Shares (representing approximately 63.19% of the share capital of Privateco expected to be in issue) to be beneficially owned by First Prospect and parties acting in concert with it and given Mr. Chan’s irrevocable undertaking not to exercise the subscription rights attached to the Share Options he held prior to the close of the Listco Share Offer and not to accept the Listco Option Offer, 100,708,000 Privateco Shares (representing approximately 36.81% of the share capital of Privateco expected to be in issue) will be subject to the Privateco Offer and the Privateco Offer is valued at HK\$50,354,000.

4.3 The Combined Offer

The following analysis on the Combined Offer has been conducted on the assumption that the Independent Shareholders will be able to receive a potential aggregate cash consideration of HK\$1.73 (the “**Combined Offer Price**”) under the Combined Offer for every Share and Privateco Share held by them after completion of the Distribution In Specie.

(i) The price performance of the Shares

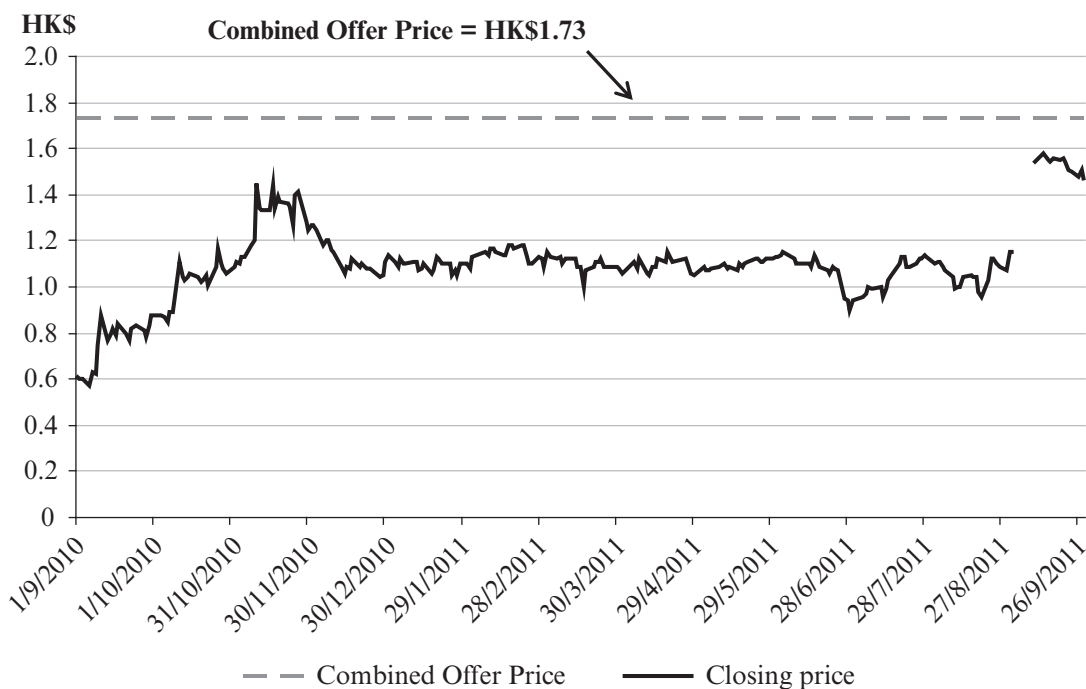
The Combined Offer Price of HK\$1.73 per Share represents:

- (a) a premium of approximately 50.43% over the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 17.7% over the closing price of HK\$1.47 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (c) premiums of approximately 60.19%, 63.21%, 61.68% and 61.68% over the average of the closing prices of approximately HK\$1.08, HK\$1.06, HK\$1.07 and HK\$1.07 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 82.10% over the audited consolidated net asset value of the Group of approximately HK\$0.95 per Share as at 31 March 2011 based on the Accountants' Report of the Company as set out in Appendix II to the Circular.

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 1 September 2010 (being the first trading day of the 12-month period ending on the Last Trading Day) up to and including the Latest Practicable Date (the "Review Period").



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

As illustrated above, the Combined Offer Price has a premium over the closing prices of the Shares during the period from 1 September 2010 to the Last Trading Day, which was ranged from HK\$0.57 to HK\$1.45. During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.57 per Share to the highest of HK\$1.58 per Share and such closing prices were traded below the Combined Offer Price. The price per Share increases substantially where it hits a high of HK\$1.58 on 12 September 2011 following the Joint Announcement. The average of the closing prices of the Shares during the Review Period was approximately HK\$1.10. The Combined Offer Price represents a premium of approximately 57.27% over such average closing price.

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As the Combined Offer Price has a premium of approximately 57.27% over the average closing price of the Shares during the Review Period, we consider that the premium in the Combined Offer Price would be attractive to the Independent Shareholders who are interested to realise all or part of their investments in the Company through the Listco Offers and the Privateco Offer.

(ii) Comparison of the Combined Offer Price with price to earnings multiples and price to book multiples

In assessing the fairness and reasonableness of the Combined Offer Price, we have identified the following comparables (the “**Comparables**”) being companies listed on the Main Board of the Stock Exchange engaging in businesses similar to those of the Group, which are principally engaged in the manufacturing and sale of jewelry products for 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 three Comparables by searching through published information on the Stock Exchange’s website, which (i) are principally engaged in the manufacturing and sale of jewelry products; and (ii) have more than half of the total revenue derived from manufacturing and sale of jewelry products. We consider that the Comparables are fair and representative samples for comparison as the principal business of the Comparables is similar to that of the Group. Details of our findings on the Comparables are summarized in the table below.

Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 31 August 2011) (HK\$)	Net asset value per share based on the latest audited published financial statements (HK\$)	Price to earnings multiples (approximate times) (Note 1)	Price to book multiples (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	0.32	110.00	0.34
Ming Fung Jewellery Group Ltd. (stock code: 860)	Manufacture and sale of jewellery products	0.76	0.59	16.78	1.29
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				46.07	0.70
The Company	Design, manufacturing and trading of fine jewelry products	1.73 (being the Combined Offer Price)	0.95	N/A (Note 3)	1.82

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

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Notes:

1. Price to earnings multiples of the Comparables 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.
2. Price to book multiples of the Comparables 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.
3. The Company was loss making in its latest financial year as per the Accountants' Report of the Company in Appendix II to the Circular and price to earnings multiple is thus not applicable.

As the Group was loss making for the year ended 31 March 2011, we consider the price to earnings multiples is not applicable in assessing the fairness and reasonableness of the Combined Offer Price. We therefore use the price to book multiples in our valuation of the Company, which is a widely adopted valuation in valuing companies, particularly loss making companies. As illustrated in the above table, we note that the price to book multiples of the Comparables ranged from approximately 0.34 to 1.29 times with an average price to book multiples of approximately 0.70 times. The price to book multiples implied by the Combined Offer Price of approximately 1.82 is higher than the average of the Comparables and represents a premium of approximately 160.00% to the average price to book multiples of the Comparables. We consider that such valuation of the Company, with reference to price to book multiples, is favourable when compared to the average price to book multiples of the Comparables so far as the Independent Shareholders are concerned.

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(iii) Comparison of the Remaining Group with financial ratios

We have also analyzed by reviewing the financial ratios of the Remaining Group as compared to that of the Comparables. Set out below are the relevant ratios for the Comparables based on their respective latest published audited financial statements and the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to the Circular.

Company (stock code)	Current ratio	Gearing
	(approximate times) <i>Note 1</i>	ratio <i>Note 2</i>
Continental Holdings Ltd. (stock code: 513)	1.55	17.79%
Ming Fung Jewellery Group Ltd. (stock code: 860)	10.97	0.24%
Man Sang International Ltd. (stock code: 938)	1.81	7.02%
Average	4.78	8.35%
the Remaining Group	3.30	24.77%

Notes:

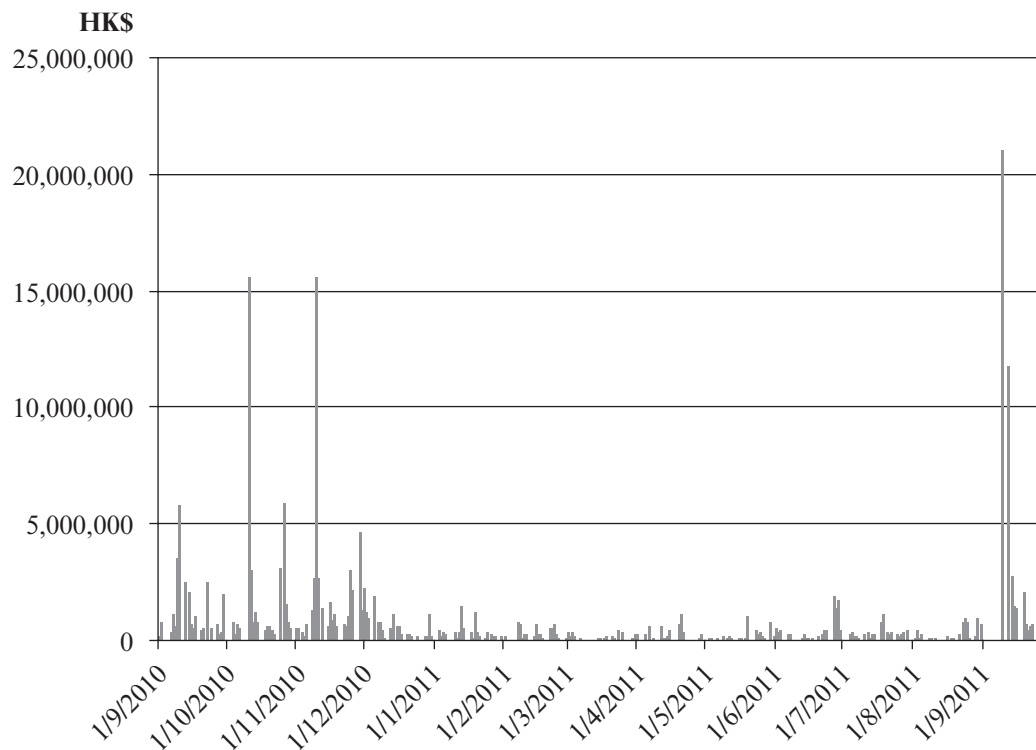
1. Current ratio is defined as the ratio of total current assets to total current liabilities.
2. Gearing ratio is calculated based on the total bank borrowings divided by total equity.

As illustrated in the above table, the current ratios of the Comparables ranged from approximately 1.55 times to 10.97 times with an average of approximate 4.78 times. We note that the current ratio of Ming Fung Jewellery Group Ltd., being approximately 10.97 times, was exceptionally higher than other Comparables. The current ratio of the Remaining Group is within the range but lower than the average of the current ratios of the Comparables. Should Ming Fung Jewellery Group Ltd. which has exceptionally higher current ratio be excluded, the current ratio of the Remaining Group is higher than that for the other Comparables. The gearing ratio of the Comparables ranged from 0.24% to 17.79% with an average of 8.35%. The gearing ratio of the Remaining Group of 24.77% is higher than the average of the Comparables.

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5. Liquidity

The following chart sets out the daily trading volume of the Shares during the Review Period.



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

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The following table sets out the trading volume, the average daily number of the Shares traded per month and the respective percentage daily trading volume compared with the issued share capital and the public float respectively during the Review Period.

	Total monthly trading volume <i>(in number of shares)</i>	Approximate average daily trading volume <i>(in number of shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume to total number of shares in issue as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 2)</i>	Percentage of average daily trading volume to total number of shares held by public Shareholders as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 3)</i>
2010				
September	26,448,000	1,259,429	0.46	1.65
October	37,767,000	2,098,167	0.77	2.74
November	44,111,000	2,005,045	0.73	2.62
December	13,860,000	630,000	0.23	0.82
2011				
January	7,372,000	351,048	0.13	0.46
February	5,862,000	325,667	0.12	0.43
March	3,040,000	132,174	0.05	0.17
April	5,214,000	289,667	0.11	0.38
May	4,216,000	210,800	0.08	0.28
June	9,048,000	430,857	0.16	0.56
July	6,695,000	334,750	0.12	0.44
August	6,337,000	275,522	0.10	0.36
September (up to and including the Latest Practicable Date)	46,278,000	3,559,846	1.31	4.77

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 273,610,000 Shares in issue as at the Latest Practicable Date.
3. Based on 76,468,000 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated above, during the period from 1 September 2010 to the Last Trading Day, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.05% to 0.77%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from

0.17% to 2.74%. Liquidity of the Shares fluctuated during the Review Period where the daily average trading volume accounted for approximately 0.05% to 1.31% of the total issued Shares, or 0.17% to 4.77% of the total number of the Shares held by the public. It should be noted that the average daily turnover of the Shares during the Review Period was below 0.50% of the average total issued Shares throughout the Review Period and below 1.3% of the average public float except for the increase in the daily turnover for the months of September to November 2010 following the announcement of the Company of 8 October 2010 relating to the positive profit alert and the maximum daily trading with a trading volume of approximately 20,986,000 shares occurred on 9 September 2011 following the Joint Announcement.

In view of the general low liquidity of the Shares during the Review Period, we are of the opinion that it may be difficult for the Independent Shareholders to dispose of their Shares in the open market to do so without adversely affecting the market price of the Shares. We therefore consider that the Listco Offers and the Privateco Offer provide opportunities for the Independent Shareholders to realise their investments in the Company at a price above the historical market price of the Shares during the Review Period, without having an adverse impact on the Share Price.

6. Possible financial effects of the Group Reorganisation and the Distribution In Specie

6.1 Income effect

Following completion of the Group Reorganisation and the Distribution In Specie, those existing subsidiaries and associated companies of the Group carrying on the Distributed Businesses (i.e. those businesses such as 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) will no longer be members of the Group as they will become subsidiaries and associated companies of Privateco. Accordingly, their financial results will not be consolidated into the Group in the future. Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group set out in Appendix V to the Circular (which was prepared on the assumption that the Group Reorganisation and the Distribution In Specie had taken place at the beginning of the year ended 31 March 2011), the turnover of the Group for the year would decrease by approximately HK\$597.4 million from approximately HK\$643.4 million to approximately HK\$46.0 million as a result of the exclusion of the income and expenses attributable to the Distributed Businesses and the jewelry retail business in the PRC. On the same basis, the loss attributable to Shareholders of approximately HK\$10.4 million would change to the profit attributable to the Shareholders of approximately HK\$0.4 million representing approximately HK\$10.8 million difference. Such change in the Group's results are principally due to the exclusion of the income and expenses attributable to the Distributed Businesses and the jewelry retail business in the PRC upon completion of the Group Reorganisation and the Distribution In Specie.

6.2 Liquidity and financial resources

Based on the audited consolidated statements of financial position of the Group as at 31 March 2011 set out in Appendix II to the Circular, the Group had current assets of approximately HK\$538.8 million and current liabilities of approximately HK\$449.6 million, representing a net-current-assets position of approximately HK\$89.2 million and a current ratio at approximately 1.20. Besides, the Group's gearing ratio as at 31 March 2011 was approximately 99.6%, calculated on the basis of the Group's total borrowings of approximately HK\$258,064,000 divided by equity attributable to the Shareholders of approximately HK\$259,139,000.

Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group set out in Appendix V to the Circular (which was prepared on the assumption that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011), the exclusion of the assets and liabilities attributable to the Distributed Businesses would reduce its net current assets from approximately HK\$89.2 million to approximately HK\$39.7 million. Nevertheless, the current ratio of the Group would increase to approximately 3.30 as a result of the exclusion of the current liabilities which were originated from the Privateco Group. In addition, on the same basis, the gearing ratio of the Remaining Group would be reduced to about 24.8%, which is substantially lower than the position prior to the implementation of the Group Reorganisation and the Distribution In Specie.

Pursuant to the Share Sale Agreement, First Prospect represents and warrants to Resources Rich that:

- (a) the liabilities (whether actual or contingent) of the Remaining Group as shown in the Report shall not exceed HK\$2 million (the "**Warranted Liabilities**");
- (b) the inventory of the Remaining Group as shown in the Report shall be no less than HK\$20 million (the "**Warranted Inventory**"); and
- (c) the cash at bank and cash on hand of the Remaining Group as shown in the Report shall not be less than HK\$10 million (the "**Warranted Cash**").

First Prospect shall pay to Resources Rich an amount in cash equivalent to any excess (in terms of the Warranted Liabilities) or shortfall (in terms of the Warranted Inventory and the Warranted Cash) as shown in the Report upon written demand from Resources Rich by giving at least three Business Days' written notice to First Prospect and in such manner as Resources Rich may agree in writing.

As set out in Appendix VIII to the Circular, the Directors are of the opinion that taking into account the internal resources available to the Remaining Group and barring any unforeseen circumstances, the Remaining Group will have sufficient working capital for at least twelve months from the date of the Circular. In view of the

existing financial position of the Group, we do not consider that the Group Reorganisation and the Distribution In Specie will have any immediate impact on the working capital requirements of the Remaining Group.

6.3 Equity attributable to the Shareholders

Based on the audited consolidated statements of financial position of the Group as at 31 March 2011 set out in Appendix II to the Circular, the equity attributable to the Shareholders as at 31 March 2011 was approximately HK\$259.1 million. Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group set out in Appendix V to the Circular (which was prepared on the assumption that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011), the equity attributable to the Shareholders would decrease by approximately HK\$205.1 million to approximately HK\$54.0 million as a result of the exclusion of the assets and liabilities attributable to the Distributed Businesses from the Group.

The reduction in the net assets of the Remaining Group as a result of the Group Reorganisation and the Distribution In Specie is reasonably expected given that the net assets associated with the Distributed Businesses are no longer held by the Group following the completion of the Group Reorganisation and the Distribution In Specie. Notwithstanding that the net assets of the Group will reduce as a result of the successful implementation of the Group Reorganisation and the Distribution In Specie, all Shareholders will at the same time receive Privateco Shares under the Distribution In Specie, the net asset value of which is not expected to differ materially from the decrease in the net asset value of the Remaining Group. In this connection, we have reviewed the unaudited pro forma consolidated statement of financial position of the Privateco Group set out in Appendix VI to the Circular (which was prepared on the assumption that the Group Reorganisation and the Distribution In Specie had taken place on 31 March 2011) and noted that the equity attributable to the Shareholders would amount to approximately HK\$200.2 million immediately upon completion of the Group Reorganisation and the Distribution In Specie. Such net asset value of the Privateco Group as at 31 March 2011 represents substantially the reduction in the net asset value of the Remaining Group of approximately HK\$200.1 million as mentioned above. From the perspective of the Shareholders, their interests in the net worth of the existing Group are not expected to be adversely affected since the net assets of the existing Group will be split between that of the Remaining Group and the Privateco Group upon the completion of the Group Reorganisation and the Distribution In Specie and the Shareholders will hold both the Shares and the Privateco Shares. As such, we are of the view that the expected reduction in the Group's net asset value due to the Group Reorganisation and the Distribution In Specie is acceptable so far as the Independent Shareholders are concerned.

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7. Effect of the Share Sale Completion on shareholding structure of the Company

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Share Sale Completion (assuming no other changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to Share Sale Completion but before the commencement of the Listco Offers):

	As at the Latest Practicable Date		Immediately upon Share Sale Completion but before the commencement of the Listco Offers	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vendors:				
— First Prospect	172,900,000	63.19	—	—
— Ms. Chiu	2,000	0.00	—	—
— Mr. Yau	15,782,000	5.77	—	—
— Barton	8,458,000	3.09	—	—
Resources Rich and parties acting in concert with it	—	—	197,142,000	72.05
Public	<u>76,468,000</u>	<u>27.95</u>	<u>76,468,000</u>	<u>27.95</u>
Total	<u><u>273,610,000</u></u>	<u><u>100.00</u></u>	<u><u>273,610,000</u></u>	<u><u>100.00</u></u>

Upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.05% of the issued share capital of the Company as at the Latest Practicable Date. Subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers, which are unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options on the basis of (i) HK\$1.23 in cash for each Share held; and (ii) HK\$0.01 in cash for cancellation of Share Option carrying right to subscribe for one Option Share.

The making of the Listco Offers is subject to Share Sale Completion which in turn is subject to a number of conditions precedent as referred to in the paragraph headed “Conditions precedent” in the section headed “A. Share Sale Agreement” in the Letter from the Board of the Circular and therefore is a possibility only and it may or may not proceed.

RECOMMENDATION

Having considered the above and the principal reasons below,

- (i) the Share Sale Completion that leads to the Listco Offers is conditional upon, among other things, the Shareholders’ approval on the Share Premium and Reserve Application, the Distribution In Specie (which in turn leads to the Privateco Offer) and the Special Deals;

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- (ii) the making of the Listco Offers and the Privateco Offer will provide an opportunity for the Shareholders to realise all or part of their investments in the Company through the Listco Offers and the Privateco Offer at the Combined Offer Price;
- (iii) the Combined Offer Price represents reasonable premium over:
 - (a) the audited consolidated net asset value of the Group as at 31 March 2011;
 - (b) the closing price of the Shares on the Last Trading Day;
 - (c) the respective average closing prices of the Shares for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; and
 - (d) the average of the closing price of the Share during the Review Period;
- (iv) the overall liquidity of the Shares was relatively thin during the Review Period, and the Independent Shareholders who intend to dispose of a large number of the Shares may not be able to do so without exerting a downward pressure on the price of the Shares while the Share Premium and Reserves Application and the Distribution In Specie will ultimately lead to an alternative exit to the Independent Shareholders to realise all or part of their investments through the Listco Offers and the Privateco Offer; and
- (v) the terms of the Guangzhou Sinoble Lease Agreement and the Guangzhou Yizuan Lease Agreement are fair and reasonable so far as the Independent Shareholders are concerned,

we are of the view that the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) in respect of the Share Premium and Reserve Application, the Distribution In Specie and the Special Deals.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Michael Leung
Director

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Chairman

Julisa Fong
Managing Director

*Information contained in this appendix is reproduced from the Joint Announcement for the purpose of providing with the Independent Shareholders reference in respect of the key terms of the Listco Offers and the Privateco Offer. **Information reproduced from the Joint Announcement reflects the situation as of the date of the Joint Announcement.** Save for (i) the change in shareholding structure of the Company due to the exercise of Share Options conferring the rights to the holders of the Share Options to subscribe for an aggregate of 1,910,000 Option Shares at HK\$1.27 per Option Share; and (ii) the incorporation of Privateco (as disclosed in the letter from the Board of this Circular) and the consequential changes in relation thereto, to the best of the Directors' knowledge and belief after all reasonable enquiries, there is no material change to the information contained in this appendix since the date of the Joint Announcement. Detailed terms of the Listco Offers and the Privateco Offer were set out in the Joint Announcement and will be set out in the Listco Offer Document and the Privateco Offer Document (as the case may be).*

The Joint Announcement also contains the following responsibility statements:

“The sole director of First Prospect accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to Resources Rich and the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.”

“The directors of Resources Rich jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Vendors and the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.”

**POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS FOR THE SHARES
AND TO CANCEL THE SHARE OPTIONS****Terms of the Listco Offers**

Upon Share Sale Completion, Resources Rich will hold 197,142,000 Shares, representing approximately 72.56% of the issued share capital of the Company. Subject to Share Sale Completion, Optima Capital will, on behalf of Resources Rich and pursuant to the Takeovers Code, make the Listco Offers, which are unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Resources Rich and parties acting in concert with it) and to cancel the outstanding Share Options on the following basis:

for each Share held HK\$1.23 in cash

for cancellation of Share Option carrying right

to subscribe for one Option Share HK\$0.01 in cash

The making of the Listco Offers is subject to Share Sale Completion which in turn is subject to a number of conditions precedent as referred to in the paragraph headed “Conditions precedent” in the section headed “A. Share Sale Agreement” above and therefore is a possibility only and it may or may not proceed.

In the event that the Listco Offers are made, they will be unconditional cash offers.

As at the date of this joint announcement, there are 271,700,000 Shares in issue and outstanding Share Options conferring the rights to the holders of the Share Options to subscribe for an aggregate of 2,110,000 Option Shares at HK\$1.27 per Option Share. As the exercise price of the Share Options is higher than the offer price of the Listco Share Offer, the cash payment under the Listco Option Offer for the cancellation of the outstanding Share Options will be a nominal amount of HK\$0.01 for Share Option carrying right to subscribe for one Option Share. As at the date of this joint announcement, save for the outstanding Share Options to subscribe for 2,110,000 Option Shares under the share option scheme of the Company approved and adopted on 26 February 2007, the Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

As at the date of this joint announcement, Mr. Chan is holding Share Options conferring the right to subscribe for 200,000 Option Shares and has irrevocably and unconditionally undertaken to Resources Rich under the Share Sale Agreement that he will (i) not exercise any subscription rights attached to the Share Options held by him prior to the close of the Listco Offers; and (ii) not accept the Listco Option Offer. Save for the aforesaid, Resources Rich has not received any indication or irrevocable commitment from any Shareholder or holders of the Share Options that he/she/it will accept or reject the Listco Offers as at the date of this joint announcement.

Total consideration for the Listco Offers

On the basis of the Listco Share Offer price of HK1.23 per Share and 271,700,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at HK\$334,191,000. Excluding 197,142,000 Shares to be held by Resources Rich and its parties acting in concert upon Share Sale Completion and assuming all outstanding Share Options will not be exercised, 74,558,000 Shares (at the Listco Share Offer price of HK\$1.23 per Share) and all outstanding Share Options (excluding the Share Options held by Mr. Chan to subscribe for 200,000 Option Shares, in respect of which Mr. Chan has irrevocably undertaken not to exercise the subscription rights attached thereto prior to the close of the Listco Share Offer and not to accept the Listco Option Offer) (at the Listco Option Offer price of HK\$0.01 for cancellation of Share Option carrying right to subscribe for one Option Share) will be subject to the Listco Offers and the Listco Offers are valued at an aggregate amount of approximately HK\$91,725,440.

In the event that all outstanding Share Options (excluding the Share Options held by Mr. Chan to subscribe for 200,000 Option Shares, in respect of which Mr. Chan has irrevocably undertaken not to exercise the subscription rights attached thereto prior to the close of the Listco Share Offer and not to accept the Listco Option Offer) have been exercised in full, 76,468,000 Shares will be subject to the Listco Share Offer and the Listco Share Offer is valued at HK\$94,055,640 based on the Listco Share Offer price of HK\$1.23 per Share.

Financial resources

The amount of the funds required for the acquisition of the Sale Shares and the full acceptance of the Listco Offers by Resources Rich will be financed by the personal resources of Mr. Hu Yangjun and Mr. Hu Yishi. Optima Capital is satisfied that there are sufficient financial resources available to Resources Rich to satisfy the amount of funds required for the acquisition of the Sale Shares and full acceptance of the Listco Offers.

Payments

Payment in cash in respect of acceptance of the Listco Offers will be made as soon as possible but in any event within 10 days of the date of which the relevant documents of title are received by Resources Rich or its agent acting on its behalf to render each such acceptance complete and valid.

Stamp duty

The ad valorem stamp duty payable by the accepting Shareholders in connection with the Listco Offers amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration or the then market price of the Shares (whichever is higher) will be payable by the accepting Shareholders and will be deducted by Resources Rich from the consideration payable to them on acceptance of the Listco Offers. Resources Rich will then pay the stamp duty on behalf of the accepting Shareholders.

Other arrangements

Resources Rich confirms that as at the date of this announcement, save for the Share Sale Agreement and the Share Charge as disclosed in this joint announcement, none of Resources Rich, its ultimate beneficial owners, or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company as at the date of this joint announcement.

Save for the entering into of the Share Sale Agreement and the Share Charge, none of Resources Rich, its ultimate beneficial owners, or parties acting in concert with it or any of them had dealt in any shares, convertible securities, options, warrants or derivatives of the Company during the six-month period immediately preceding 1 September 2011 (being the date of commencement of the offer period for the Listco Offers) and up to the date of this joint announcement. None of Resources Rich, its ultimate beneficial owners, or parties acting in concert with any of them had entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Company.

Resources Rich confirms that, save for the Share Sale Agreement and the Share Charge, there are no other arrangements, whether by way of option, indemnity or otherwise, in relation to the Shares or the shares of Resources Rich and which may be material to the Listco Offers.

Resources Rich further confirms that, other than the Share Sale Agreement and the Share Charge as disclosed in this joint announcement, there are no other agreements or arrangements to which Resources Rich is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Listco Offers.

As at the date of this joint announcement, none of Resources Rich, its ultimate beneficial owners, or parties acting in concert with any of them had entered into any contracts in relation to the outstanding derivatives in respect of the securities in the Company and have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Effect of the Share Sale Completion on shareholding structure of the Company

Set out below is the shareholding structure of the Company as at the date of this joint announcement and immediately upon Share Sale Completion (assuming no other changes in the issued share capital and shareholding in the Company from the date of this joint announcement up to Share Sale Completion but before the commencement of the Listco Offers):

	As at the date of this joint announcement		Immediately upon Share Sale Completion but before the commencement of the Listco Offers	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
Vendors:				
— First Prospect	172,900,000	63.64	—	—
— Ms. Chiu	2,000	0.00	—	—
— Mr. Yau	15,782,000	5.81	—	—
— Barton	8,458,000	3.11	—	—
Resources Rich and parties acting in concert with it	—	—	197,142,000	72.56
Public	<u>74,558,000</u>	<u>27.44</u>	<u>74,558,000</u>	<u>27.44</u>
Total	<u><u>271,700,000</u></u>	<u><u>100.00</u></u>	<u><u>271,700,000</u></u>	<u><u>100.00</u></u>

Information on Resources Rich

Resources Rich is an investment holding company incorporated in the BVI with limited liability. As at the date of this joint announcement, save for entering into the Share Sale Agreement and the Share Charge, Resources Rich did not engage in any substantial business activities. As at the date of this joint announcement, the directors of Resources Rich are Mr. Hu Yangjun and Mr. Hu Yishi, and Resources Rich is held as to 50% by Mr. Hu Yangjun and as to 50% by Mr. Hu Yishi.

Mr. Hu Yangjun, aged 37, has corporate management experience in various industries such as information technology and international trade and is currently an executive director of Neo Telemedia Limited (stock code: 8167), shares of which company are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hu Yangjun was an executive director of Zheda Lande Scitech Limited (stock code: 8106), the issued shares of which are listed on the Stock Exchange. Mr. Hu Yangjun graduated from Anhui Normal University. Mr. Hu Yangjun is the cousin of Mr. Hu Yishi.

Mr. Hu Yishi, aged 35, has extensive experience in China affairs and business. He is a non-executive director and the chairman of Kai Yuan Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1215). Mr. Hu Yishi was previously an executive director of China Pipe Group Limited (stock code: 380) and Up Energy

Development Group Limited (stock code: 307, formerly known as Tidetime Sun (Group) Limited), the issued shares of both companies are listed on the Stock Exchange. Mr. Hu Yishi graduated from Shanghai International Tourism Vocational Technology School. Mr. Hu Yishi is the cousin of Mr. Hu Yangjun.

Intention of Resources Rich regarding the Remaining Group

Resources Rich intends to continue the principal business of the Remaining Group (i.e. the manufacture and wholesale jewelry business in the PRC). Following Share Sale Completion, Resources Rich will conduct a review on the business operations and financial position of the Remaining Group for the purpose of formulating business plans and strategies for the future business development of the Remaining Group. Subject to the result of the review and should suitable investment or business opportunities arise, Resources Rich may consider diversifying the business of the Remaining Group with an objective to broaden its income source. However, as at the date of this joint announcement, no such investment or business opportunities have been identified nor Resources Rich has entered into any agreement, arrangements, understandings, intention or negotiation in relation to inject any assets or business into the Remaining Group. Notwithstanding the foregoing, Resources Rich has not entered into any agreement, arrangements, intention or negotiations in relation to re-deployment of the employees, disposal and/or re-deployment of the assets of the Remaining Group, or termination or scaling-down of any Remaining Group's business, other than in its ordinary course of business.

Proposed change of board composition of the Company

The Board is currently made up of nine Directors, comprising six executive Directors and three independent non-executive Directors.

Resources Rich intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made accordingly.

Maintaining the listing status of the Company

Resources Rich intends to maintain the listing status of the Company and it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement upon the closing of the Listco Offers.

If, at the close of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER FOR THE PRIVATECO SHARES

Based on the current shareholding structure of the Company, First Prospect and parties acting in concert with it will be interested in a total of 172,902,000 Privateco Shares, representing approximately 63.64% of the issued share capital of Privateco following the Distribution In Specie. Given that the Privateco Shares will not be listed on the Stock Exchange or other stock exchange, it will be difficult, if not impossible, for holders of the Privateco Shares to liquidate their holdings in the Privateco Shares. First Prospect considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

After Share Sale Completion and the Distribution In Specie, Investec will, on behalf of First Prospect and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the Privateco Shares (other than those to be owned or agreed to be acquired by First Prospect and parties acting in concert with it) on the following basis:

for each Privateco Share held HK\$0.50 in cash

** The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date. The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.*

As the Privateco Offer will only be made following Share Sale Completion and the completion of the Distribution In Specie, which is subject to a number of conditions precedent to the Share Sale Agreement, the making of the Privateco Offer may or may not proceed and, as such is a possibility only. In the event that the Privateco Offer is made, it will be an unconditional cash offer.

The Privateco Offer price of HK\$0.50 per Privateco Share has been determined after taking into account factors including (i) the consolidated net asset value of the Group as at 31 March 2011, taking into consideration the effect of the Group Reorganisation, which includes the intended settlement or assignment of, among others, certain trademarks, inventory, interests and inter-group balances between the Remaining Group and the Privateco Group; (ii) the Listco Share Offer price of HK\$1.23 per Share; (iii) the prevailing

market prices of Shares as further described in the section headed “Comparison of the combined offer price with market prices of the Shares and net asset value per Share” below; and (iv) the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day.

On the assumption that all outstanding Share Options (excluding the Share Options held by Mr. Chan to subscribe for 200,000 Option Shares, in respect of which Mr. Chan has irrevocably undertaken not to exercise the subscription rights attached thereto prior to the close of the Listco Share Offer and not to accept the Listco Option Offer) are exercised in full before the Record Date, 273,610,000 Privateco Shares will be in issue upon completion of the Distribution In Specie and based on the Privateco Offer price of HK\$0.50 per Privateco Share, the entire issued share capital of Privateco is valued at approximately HK\$136,805,000. Assuming Share Sale Completion has taken place, all outstanding Share Options (excluding those held by Mr. Chan) being exercised in full before the Record Date and completion of the Distribution In Specie and based on 172,902,000 Privateco Shares (representing approximately 63.19% of the share capital of Privateco expected to be in issue) to be beneficially owned by First Prospect and its parties acting in concert with it, 100,708,000 Privateco Shares (representing approximately 36.81% of the share capital of Privateco expected to be in issue) will be subject to the Privateco Offer and the Privateco Offer is valued at approximately HK\$50,354,000.

Investec, the financial adviser to First Prospect, is satisfied that sufficient financial resources are available to First Prospect to satisfy full acceptance of the Privateco Offer.

Compulsory acquisition right

Subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act, First Prospect intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act, the relevant threshold will be First Prospect within four months of commencement of the Privateco Offer receiving acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer provided that if First Prospect already holds over 10% of the Privateco Shares, the acceptances must also represent 75% in number of the Privateco Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act, First Prospect can compulsorily acquire the Privateco Shares held by the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires that acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer document total 90% of the disinterested Privateco Shares. Further announcements will be made about the exercise of such right of compulsory acquisition.

The Privateco Shares subject to the Privateco Offer will be acquired by First Prospect with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

Privateco was incorporated in Bermuda with limited liability on 16 September 2011 pursuant to the Group Reorganisation for the purpose of holding the Distributed Businesses and as a wholly-owned subsidiary of the Company prior to the Distribution In Specie. Further announcement(s) will be made as and when appropriate to comply with Rule 3.5 (c), (d), (f), (g) and (h) of the Takeovers Code.

Given that Privateco is incorporated in Bermuda where its register of members is located and maintained, no Hong Kong stamp duty will be payable on any transfer of the Privateco Shares.

For those Privateco Shareholders who wish to retain their investments in the Distributed Businesses after Share Sale Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. **They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange.**

Background of First Prospect and its intention regarding the Privateco

First Prospect is the existing controlling Shareholder and together with its associates and parties acting in concert with it holds a total of 172,902,000 Shares as at the date of this joint announcement. First Prospect is an investment holding company incorporated in the BVI with limited liability and save for its interests in the Company, it has not carried out any operations or has no other major assets as at the date of this joint announcement.

It is the intention of First Prospect that the Privateco 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 Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained.

None of the independent non-executive directors of the Company will be appointed as a director of the Privateco. Following the despatch of the Privateco Offer Document, the composition of the board of directors of the Privateco may change. Further announcement(s) will be made in this regard as and when appropriate.

**COMPARISON OF THE COMBINED OFFER PRICE WITH MARKET PRICES OF
THE SHARES AND NET ASSET VALUE PER SHARE**

The combined consideration under the Listco Share Offer and the Privateco Offer is equivalent to HK\$1.73 per Share, which represents:

- a premium of approximately 50.43% over the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- premiums of approximately 60.19%, 63.21%, 61.68% and 61.68% over the average of the closing prices of approximately HK\$1.08, HK\$1.06, HK\$1.07 and HK\$1.07 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; and
- a premium of approximately 71.29% over the audited consolidated net asset value of the Company of approximately HK\$1.01 per Share as at 31 March 2011 based on the annual report of the Company for the year ended 31 March 2011.

For illustration only, the Listco Share Offer price of HK\$1.23 per Share represents:

- a premium of approximately 6.96% over the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- premiums of approximately 13.89%, 16.04%, 14.95% and 14.95% over the average of the closing prices of approximately HK\$1.08, HK\$1.06, HK\$1.07 and HK\$1.07 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; and
- a premium of approximately 21.78% over the audited consolidated net asset value of the Company of approximately HK\$1.01 per Share as at 31 March 2011 based on the annual report of the Company for 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.



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30 September 2011

The Directors
Noble Jewelry Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Noble Jewelry Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 March 2009, 2010 and 2011 (the “Relevant Periods”), and the consolidated and company statements of financial position of the Group as at 31 March 2009, 2010 and 2011, together with explanatory notes thereon, for inclusion in the circular of the Company dated 30 September 2011 (the “Circular”) in connection with the proposed (1) group reorganisation of the Company (the “Group Reorganisation”) and (2) distribution in specie of the shares of Noble Jewelry Investment Limited (the “Distribution In Specie”).

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at Flat M, 12/F, Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. During the Relevant Periods, the Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and trading of fine jewelry products.

As at the date of this report, the particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				directly	indirectly	
Noble Jewelry (BVI) Limited	British Virgin Islands 2 June 2006	Hong Kong	US\$20,000	—	100%	Investment holding
Farwin Limited	Hong Kong 22 June 2001	Hong Kong	HK\$10,000	—	100%	Acting as purchase agent
Noble Jewelry (Overseas) Limited	Mauritius 8 May 1996	Hong Kong	US\$100,000	—	100%	Investment holding
Noble Jewelry Limited	Hong Kong 9 June 1992	Hong Kong	HK\$1,000,000	—	100%	Design, manufacture and trading of jewelry
Full Fame International Limited	British Virgin Islands 10 August 2010	Hong Kong	US\$100	—	100%	Processing of jewelry
Grandpower Holdings Limited	British Virgin Islands 2 January 2001	Hong Kong	US\$1	—	100%	Investment holding
G.P. Wedding Etiquette Services Limited	Hong Kong 3 December 2009	Hong Kong	HK\$10,000	—	67.33%	Investment holding
廣州芝柏婚慶禮儀服務有限公司 (translated as Guangzhou G.P. Wedding Etiquette Services Limited)	PRC 17 March 2010	PRC	HK\$8,000,000	—	67.33%	Providing wedding etiquette services
廣州市億鑽珠寶有限公司 (translated as Guangzhou Yizuan Jewelry Co., Ltd)	PRC 12 April 2004	PRC	HK\$26,000,000	—	100%	Processing of jewelry
上海億炫珠寶有限公司 (translated as Shanghai Yixuan Jewelry Limited)	PRC 4 December 2008	PRC	RMB5,500,000	—	100%	Design and trading of jewelry
廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited)	PRC 29 March 2010	PRC	HK\$3,898,519	—	51%	Trading of jewelry
Noble Gold and Diamond Trading Limited	Hong Kong 8 August 2005	Hong Kong	HK\$10,000	—	100%	Trading of jewelry
Chad Allison Corporation	The State of Delaware, the U.S. 24 March 2006	U.S.	US\$2,000	—	100%	Design and trading of jewelry
NJUK Limited	United Kingdom 23 January 2001	United Kingdom	£1	—	100%	Trading of jewelry
Noble Jewelry Limited	The State of New York, the U.S. 30 September 2005	U.S.	US\$100,000	—	100%	Trading of jewelry
Topwin Trading Limited	Hong Kong 15 April 2005	Hong Kong	HK\$2	—	100%	Trading of jewelry
N.A. Marketing Limited	British Virgin Islands 15 May 2009	Hong Kong	US\$20,000	—	92.5%	Investment holding

Name	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				directly	indirectly	
N.A. Marketing Limited	The State of Texas, the U.S. 6 May 2009	U.S.	US\$3,500	—	92.5%	Trading of jewelry
First Corporate International Limited	British Virgin Islands 12 July 2011	Hong Kong	US\$1	100%	—	Investment holding
Sinoble Jewelry Limited	Hong Kong 5 July 2006	Hong Kong	HK\$1	—	100%	Investment holding and trading of jewelry
廣州億恒珠寶有限公司 (translated as Guangzhou Sinoble Jewelry Limited)	PRC 17 October 2006	PRC	HK\$54,500,000	—	100%	Manufacturing and trading of jewelry
Noble Jewelry Investment Limited	Bermuda 16 September 2011	Hong Kong	HK\$2,736,100	100%	—	Investment holding

The consolidated financial statements of the Group for the Relevant Periods were audited by BDO Limited and were conducted in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information has been prepared based on the audited consolidated financial statements of the Group for the Relevant Periods which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, after making such adjustments as we consider necessary to adjust the audited consolidated financial statements in preparing our report for inclusion in the Circular. For the purpose of this report, we have examined the Financial Information for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The directors of the Company (the “Directors”) are responsible for the preparation of the Financial Information. The Directors are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination on the Financial Information for the Relevant Periods, and to report an opinion to you.

In our opinion, the Financial Information prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 31 March 2009, 2010 and 2011 and of the consolidated results and cash flows of the Group for the Relevant Periods.

B FINANCIAL INFORMATION OF THE GROUP**Consolidated Statement of Comprehensive Income**

	<i>Notes</i>	Year ended 31 March		
		2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	3,657	2,454	7,941
Distribution costs		(35,254)	(35,942)	(43,587)
Administrative expenses		(109,378)	(91,359)	(119,973)
Other gains and losses	7	15,429	556	339
Finance costs	9	(10,315)	(5,371)	(6,473)
Share of (loss)/profit of associates, net		<u>(6,141)</u>	<u>(336)</u>	<u>4,018</u>
Profit/(loss) before income tax	8	5,599	7,921	(6,009)
Income tax expense	10	<u>(4,269)</u>	<u>(4,870)</u>	<u>(4,405)</u>
Profit/(loss) for the year		<u>1,330</u>	<u>3,051</u>	<u>(10,414)</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/(loss) for the year		<u><u>6,964</u></u>	<u><u>3,863</u></u>	<u><u>(980)</u></u>

		Year ended 31 March		
		2009	2010	2011
Notes		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to:				
	— Owners of the Company	1,330	3,140	(8,574)
	— Non-controlling interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
		<u>1,330</u>	<u>3,051</u>	<u>(10,414)</u>
Total comprehensive income attributable to:				
	— Owners of the Company	6,964	3,952	860
	— Non-controlling interests	<u>—</u>	<u>(89)</u>	<u>(1,840)</u>
		<u>6,964</u>	<u>3,863</u>	<u>(980)</u>
Earnings/(loss) per share				
	Basic and diluted (<i>HK cents</i>)	16 <u>0.49</u>	<u>1.16</u>	<u>(3.16)</u>

Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 March		
		2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	17	49,004	51,240	93,636
Associates	19	62,874	63,510	75,167
Deposits		1,257	1,026	—
Intangible assets	20	—	—	—
Other assets	21	—	2,110	2,161
Deferred tax assets	29	1,105	1,041	—
		<u>114,240</u>	<u>118,927</u>	<u>170,964</u>
Current assets				
Inventories	22	250,615	264,181	359,810
Accounts receivable	23	107,255	103,683	132,988
Other receivables, deposits and prepayments		15,756	28,803	15,810
Amounts due from related parties	37(c)	8,700	20,747	15,866
Cash at banks and in hand	24	14,344	27,461	14,303
		<u>396,670</u>	<u>444,875</u>	<u>538,777</u>
Current liabilities				
Borrowings	25	160,113	144,169	258,064
Accounts payable	26	47,461	112,350	112,794
Other payables and accrued charges		43,681	45,636	74,911
Amounts due to related parties	37(c)	4,363	1,066	389
Obligations under finance leases	27	119	40	—
Derivative financial instruments	28	—	120	31
Tax payables		806	1,331	3,396
		<u>256,543</u>	<u>304,712</u>	<u>449,585</u>
Net current assets		<u>140,127</u>	<u>140,163</u>	<u>89,192</u>
Total assets less current liabilities		<u>254,367</u>	<u>259,090</u>	<u>260,156</u>
Non-current liabilities				
Deferred tax liabilities	29	—	—	1,017
Obligations under finance leases	27	40	—	—
		<u>40</u>	<u>—</u>	<u>1,017</u>
NET ASSETS		<u>254,327</u>	<u>259,090</u>	<u>259,139</u>

		As at 31 March		
	<i>Notes</i>	2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity				
Share capital	30	2,717	2,717	2,717
Reserves	32	<u>251,610</u>	<u>255,562</u>	<u>256,422</u>
Equity attributable to owners of the Company		254,327	258,279	259,139
Non-controlling interests		<u>—</u>	<u>811</u>	<u>—</u>
TOTAL EQUITY		<u><u>254,327</u></u>	<u><u>259,090</u></u>	<u><u>259,139</u></u>

Statement of Financial Position

		As at 31 March		
	<i>Notes</i>	2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Interests in subsidiaries	18	<u>231,430</u>	<u>231,342</u>	<u>230,789</u>
Current assets				
Cash at banks and in hand		<u>132</u>	<u>131</u>	<u>130</u>
Current liabilities				
Other payables and accrued charges		<u>40</u>	<u>239</u>	<u>238</u>
Net current assets/(liabilities)		<u>92</u>	<u>(108)</u>	<u>(108)</u>
NET ASSETS		<u>231,522</u>	<u>231,234</u>	<u>230,681</u>
Equity				
Share capital	30	2,717	2,717	2,717
Reserves	32	<u>228,805</u>	<u>228,517</u>	<u>227,964</u>
TOTAL EQUITY		<u>231,522</u>	<u>231,234</u>	<u>230,681</u>

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2008	2,717	79,836	1,593	1,445	31,634	6,318	(4,327)	149,883	269,099	—	269,099
Profit or loss	—	—	—	—	—	—	—	1,330	1,330	—	1,330
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	32,964	6,964	—	6,964
Dividends paid (Note 15)	—	—	—	—	—	—	—	(21,736)	(21,736)	—	(21,736)
At 31 March 2009	2,717	79,836	1,593	1,445	—	7,625	—	161,111	254,327	—	254,327
Profit or loss	—	—	—	—	—	—	—	3,140	3,140	(89)	3,051
Other comprehensive income	—	—	—	—	—	812	—	—	812	—	812
Total comprehensive income for the year	—	—	—	—	—	812	—	3,140	3,952	(89)	3,863
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	900	900
At 31 March 2010	2,717	79,836	1,593	1,445	—	8,437	—	164,251	258,279	811	259,090
Profit or loss	—	—	—	—	—	—	—	(8,574)	(8,574)	(1,840)	(10,414)
Other comprehensive income	—	—	—	—	6,837	2,597	—	—	9,434	—	9,434
Total comprehensive income for the year	—	—	—	—	6,837	2,597	—	(8,574)	860	(1,840)	(980)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	1,029	1,029
At 31 March 2011	2,717	79,836	1,593	1,445	6,837	11,034	—	155,677	259,139	—	259,139

Consolidated Statement 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	5,599	7,921	(6,009)
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	13,799	23,018	6,368
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	(3,855)	1,955	29,275
Decrease in amounts due to related parties	(524)	(3,297)	(677)
Effect of change in foreign exchange rate	3,881	(110)	2,795
Cash generated from/(used in) operations	9,600	45,893	(71,184)
Income tax paid	(7,399)	(4,281)	(2,381)
Interest element of finance lease payments	(13)	(13)	(1)
Interest paid	(7,402)	(3,764)	(4,877)
Net cash (used in)/generated from operating activities	(5,214)	37,835	(78,443)

	Year ended 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
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 33</i>)	10	—	—
Interest received	537	64	449
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	(21,736)	—	—
Net cash (used in)/generated from financing activities	<u>(30,131)</u>	<u>(9,615)</u>	<u>108,922</u>
Net (decrease)/increase in cash and cash equivalents	(24,801)	19,582	(18,411)
Effect of change in foreign exchange rate	(138)	(17)	320
Cash and cash equivalents at beginning of year	<u>32,826</u>	<u>7,887</u>	<u>27,452</u>
Cash and cash equivalents at end of year	<u>7,887</u>	<u>27,452</u>	<u>9,361</u>
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand	14,344	27,461	14,303
Less: Bank overdrafts	(6,457)	(9)	(4,942)
	<u>7,887</u>	<u>27,452</u>	<u>9,361</u>

C. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Noble Jewelry Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 25 August 2006 under the Companies Law of the Cayman Islands and acts as an investment company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Flat M, 12/F., Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The principal activities of its subsidiaries are set out in note 18.

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

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

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

The 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 the Group's Financial Information.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information have been prepared in accordance with all applicable 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 the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The Financial Information comprise the financial statements of the Company and its subsidiaries (the "Group"). 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 consolidated 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 the 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 the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The 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. The 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 the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the 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 the Company.

When the 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 the 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 the 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, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the 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.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, 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 the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates

An associate is an entity over which the 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 consolidated statements of financial position at cost as adjusted for post-acquisition changes in the 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 the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the 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 the 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 the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

(d) 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.

(e) Impairment of assets

At the end of each reporting period, the 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, the 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.

(f) 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.

(g) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the 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. The 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 the 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

The 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 the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the 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 the Company 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 the Company 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

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

(h) Derivative financial instruments

The 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. The 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.

(i) 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 the 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.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the 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.

(k) 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 consolidated 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. The 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 the 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 the 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 the Group intends to settle its current tax assets and liabilities on a net basis.

(I) 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 the Company, 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 the 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.

(m) 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 the 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. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(n) 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 the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the 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.

(o) 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.

(p) 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 the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(q) 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 the 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.

The 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

The 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

The 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

The 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 the 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 the 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	1,398	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>3,657</u>	<u>2,454</u>	<u>7,941</u>
Total revenue	<u><u>635,604</u></u>	<u><u>523,782</u></u>	<u><u>651,340</u></u>

(b) Reportable segments

Information regarding the Group's reportable operating segments as provided to the 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.

The 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	—	23,202	28,343
	<u>631,947</u>	<u>521,328</u>	<u>643,399</u>

(c) Geographical information

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

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <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	301,754	335,359	443,659
— 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>509,805</u>	<u>562,761</u>	<u>709,741</u>

(d) Information about major customers

During the Relevant Periods, none of the customers had entered into transactions exceeding 10% of the 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	5	—	—
Others	<u>205</u>	<u>79</u>	<u>102</u>
	<u><u>15,429</u></u>	<u><u>556</u></u>	<u><u>339</u></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 22</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 23(d)</i>)	2,094	4,524	1,195
Bad debts written off	4,491	85	1,999
Exchange gains/(losses), net	8,782	(756)	(2,049)
Impairment of other intangible assets	2,697	—	—

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, the 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>2,900</u>	<u>1,594</u>	<u>1,595</u>
	<u>10,315</u>	<u>5,371</u>	<u>6,473</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 consolidated 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 29</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 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, 廣州芝柏婚慶禮儀服務有限公司 and 上海億炫珠寶有限公司 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 consolidated statements of comprehensive income.

- (b) The income tax expense for the year can be reconciled to the profit/(loss) per the consolidated 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>5,599</u>	<u>7,921</u>	<u>(6,009)</u>
Calculated at tax rate of 16.5%	924	1,307	(991)
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	4,368
Tax effect of non-taxable items	(94)	97	(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 the 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

	Fees <i>HK\$'000</i>	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					
<u>Executive directors</u>					
Chan Yuen Hing	—	8,351	—	12	8,363
Tang Chee Kwong	—	1,910	700	12	2,622
Chan Lai Yung	—	592	58	12	662
Yu Yip Cheong	—	830	508	12	1,350
Chan Wing Nang (i)	—	735	100	7	842
Tsang Wing Ki (i)	<u>—</u>	<u>478</u>	<u>65</u>	<u>7</u>	<u>550</u>
Sub-total	<u>—</u>	<u>12,896</u>	<u>1,431</u>	<u>62</u>	<u>14,389</u>
<u>Non-executive directors</u>					
Yeung Kwok Keung, <i>JP</i> (ii)	<u>83</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>83</u>
<u>Independent non-executive directors</u>					
Chan Cheong Tat	150	—	—	—	150
Yu Ming Yang	100	—	—	—	100
Tang Chiu Ming Frank	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100</u>
Sub-total	<u>350</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>350</u>
Total	<u>433</u>	<u>12,896</u>	<u>1,431</u>	<u>62</u>	<u>14,822</u>

	Fees <i>HK\$'000</i>	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 2010					
<u>Executive directors</u>					
Chan Yuen Hing	—	7,229	—	12	7,241
Tang Chee Kwong	—	2,040	50	12	2,102
Chan Wing Nang	—	1,041	85	12	1,138
Tsang Wing Ki	—	675	55	12	742
Chan Lai Yung	—	515	—	12	527
Yu Yip Cheong (iii)	—	360	—	5	365
Lai Wang (iv)	—	155	—	2	157
Sub-total	—	12,015	190	67	12,272
<u>Independent non-executive directors</u>					
Chan Cheong Tat	150	—	—	—	150
Yu Ming Yang	100	—	—	—	100
Tang Chiu Ming Frank	100	—	—	—	100
Sub-total	350	—	—	—	350
Total	350	12,015	190	67	12,622
	Fees <i>HK\$'000</i>	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 2011					
<u>Executive directors</u>					
Chan Yuen Hing	—	7,767	—	12	7,779
Tang Chee Kwong	—	2,280	—	12	2,292
Chan Wing Nang	—	1,142	129	12	1,283
Tsang Wing Ki	—	735	84	12	831
Lai Wang (iv)	—	505	65	5	575
Chan Lai Yung	—	360	48	12	420
Setiawan Tan Budi (v)	—	129	—	3	132
Sub-total	—	12,918	326	68	13,312
<u>Independent non-executive directors</u>					
Chan Cheong Tat	150	—	—	—	150
Yu Ming Yang	100	—	—	—	100
Tang Chiu Ming Frank	100	—	—	—	100
Sub-total	350	—	—	—	350
Total	350	12,918	326	68	13,662

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

- (i) Appointed on 15 August 2008
- (ii) Retired on 15 August 2008
- (iii) Deceased on 24 September 2009
- (iv) Appointed on 1 January 2010
- (v) Appointed on 1 January 2011

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 the Group, four were directors of the Company whose emoluments are reflected in the analysis presented above for the Relevant Periods. The emoluments of the remaining 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	1,629	1,342	1,470
Pension contributions	<u>12</u>	<u>12</u>	<u>12</u>
	<u>1,641</u>	<u>1,354</u>	<u>1,482</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	—	—	—
HK\$1,000,001–HK\$1,500,000	—	1	1
HK\$1,500,001–HK\$2,000,000	<u>1</u>	<u>—</u>	<u>—</u>
	<u>1</u>	<u>1</u>	<u>1</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 the Group or as compensation for loss of office for the Relevant Periods.

13. EMPLOYEE RETIREMENT BENEFIT

The 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 the 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 the 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 the 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 the Group with respect to the retirement benefits schemes operated by the PRC Government is to make the required contributions under the schemes.

The 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. The Group has no further obligations other than making the required contributions.

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

14. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company includes a loss of HK\$4,000, HK\$288,000 and HK\$553,000 for the years ended 31 March 2009, 2010 and 2011 respectively, which has been dealt with in the Financial Information of the Company.

Reconciliation of the above amounts to the Company's profit/(loss) for the year:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements	(4)	(288)	(553)
Interim dividend from subsidiary attributable to the profits of the previous financial year, approved and paid during the year	<u>5,434</u>	<u>—</u>	<u>—</u>
Company's profit/(loss) for the year	<u><u>5,430</u></u>	<u><u>(288)</u></u>	<u><u>(553)</u></u>

15. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.02, Nil and Nil per ordinary share for the years ended 31 March 2009, 2010 and 2011 respectively	<u><u>5,434</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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

- (b) Dividends payable to owners of the Company attributable to the previous year, approved and paid during the year:

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Final dividend in respect of the previous year, approved and paid during the year, of HK\$0.06, Nil and Nil per ordinary share for the years ended 2009, 2010 and 2011 respectively	<u>16,302</u>	<u>—</u>	<u>—</u>

16. EARNINGS/(LOSS) PER SHARE

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

	2009	2010	2011
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings per share calculation	<u>HK\$1,330,000</u>	<u>HK\$3,140,000</u>	<u>HK\$(8,574,000)</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>271,700,000</u>	<u>271,700,000</u>	<u>271,700,000</u>

The basic and diluted earnings/(loss) per share for the respective years are equal because the exercise price of the Company's share options was higher than the average market price for shares for the Relevant Periods.

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and machinery <i>HK\$'000</i>	Leasehold improve- ments <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	403	99	(7)	31	526
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	156	45	52	9	262
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	1,363	495	720	79	2,657
At 31 March 2011	64,571	57,316	30,557	3,409	155,853
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	1	20	(19)	4	6
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	11	12	5	4	32
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	148	182	150	44	524
At 31 March 2011	217	46,043	13,303	2,654	62,217
Net carrying amount:					
At 31 March 2011	64,354	11,273	17,254	755	93,636
At 31 March 2010	29,866	9,018	11,203	1,153	51,240
At 31 March 2009	31,056	7,971	8,186	1,791	49,004

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

	Leasehold land and buildings	Furniture, fixtures and machinery	Leasehold improve- ments	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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) The 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 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) The 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 25).
- (e) Assets held under finance leases

In addition to the leasehold land and buildings classified as being held under a finance lease, the 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 the 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, the Group did not have any plant and equipment held under finance leases.

18. INTERESTS IN SUBSIDIARIES

	The Company		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Unlisted shares, at cost	148,516	148,516	148,516
Amounts due from subsidiaries, net	<u>82,914</u>	<u>82,826</u>	<u>82,273</u>
	<u><u>231,430</u></u>	<u><u>231,342</u></u>	<u><u>230,789</u></u>

Amounts due from subsidiaries are unsecured, interest free and in substance parts of the Company's interests in the subsidiaries in the form of quasi-equity loans.

Details of the principal subsidiaries as at 31 March 2011 are as follows:

Name	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				directly	indirectly	
Noble Jewelry (BVI) Limited	British Virgin Islands 2 June 2006	Hong Kong	US\$20,000	100%	—	Investment holding
Noble Jewelry Limited	Hong Kong 9 June 1992	Hong Kong	HK\$1,000,000	—	100%	Design, manufacture and trading of jewelry
廣州市億鑽珠寶有限公司* (translated as Guangzhou Yizuan Jewelry Co., Ltd.)	PRC 12 April 2004	PRC	HK\$26,000,000	—	100%	Processing of jewelry
NJUK Limited	United Kingdom 23 January 2001	United Kingdom	£1	—	100%	Trading of jewelry
Topwin Trading Limited	Hong Kong 15 April 2005	Hong Kong	HK\$2	—	100%	Trading of jewelry
Chad Allison Corporation	The State of Delaware, the U.S. 24 March 2006	U.S.	US\$2,000	—	100%	Design and trading of jewelry
Noble Jewelry Limited	The State of New York, the U.S. 20 September 2005	U.S.	US\$100,000	—	100%	Trading of jewelry
Farwin Limited	Hong Kong 22 June 2001	India	HK\$10,000	—	100%	Acting as purchase agent
廣州德恆珠寶有限公司* (translated as Guangzhou Sinoble Jewelry Limited)	PRC 17 October 2006	PRC	HK\$54,500,000	—	100%	Manufacture and trading of jewelry

Details of the principal subsidiaries as at 31 March 2011 are as follows:

Name	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				directly	indirectly	
上海億炫珠寶有限公司* (translated as Shanghai Noble Concepts Jewelry Limited)	PRC 4 December 2008	PRC	RMB5,500,000	—	100%	Design and trading of jewelry
N.A. Marketing Limited	The State of Texas, the U.S. 6 May 2009	U.S.	US\$3,500	—	92.5%	Trading of jewelry
Noble Jewelry (Overseas) Limited	Mauritius 8 May 1996	Hong Kong	US\$100,000	—	100%	Investment holding
Full Fame International Limited	British Virgin Islands 10 August 2010	Hong Kong	US\$100	—	100%	Processing of jewelry
Grandpower Holdings Limited	British Virgin Islands 2 January 2001	Hong Kong	US\$1	—	100%	Investment holding
G.P. Wedding Etiquette Services Limited	Hong Kong 3 December 2009	Hong Kong	HK\$10,000	—	67.33%	Investment holding
廣州芝柏婚慶禮儀服務有限公司 (translated as Guangzhou G.P. Wedding Etiquette Services Limited)	PRC 17 March 2010	PRC	HK\$8,000,000	—	67.33%	Providing wedding etiquette services
廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited)	PRC 29 March 2010	PRC	HK\$3,898,519	—	51%	Trading of jewelry
Noble Gold and Diamond Trading Limited	Hong Kong 8 August 2005	Hong Kong	HK\$10,000	—	100%	Trading of jewelry
N.A. Marketing Limited	British Virgin Islands 15 May 2009	Hong Kong	US\$20,000	—	92.5%	Investment holding
Sinoble Jewelry Limited	Hong Kong 5 July 2006	Hong Kong	HK\$1	—	100%	Investment holding and trading of jewelry

* These subsidiaries established in the PRC are wholly foreign-owned enterprises.

19. ASSOCIATES

	The Group		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Share of net assets of associates	30,069	30,536	41,960
Goodwill on acquisition (note (a))	32,805	32,974	33,207
	<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 the 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 the 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 the 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 the Group, except for Chenghuang Jewellery, 山東嘉億 and 杭州城隍 which have financial years ending on 31 December. The consolidated financial statements of the 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, the 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, the 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 the 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>

20. INTANGIBLE ASSETS

	2009 <i>HK\$'000</i>	The Group 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, the 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.

21. 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>

The 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 the Group.

22. INVENTORIES

	2009	The Group 2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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:

	2009	The Group 2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

23. ACCOUNTS RECEIVABLE

	2009	The Group 2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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) The 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 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
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	<u>(11)</u>	<u>2</u>	<u>2</u>
At end of year	<u>5,814</u>	<u>10,340</u>	<u>11,537</u>

The 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. The 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 the 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. The Group does not hold any collateral over these balances.
- (g) The 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. The Group continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing.

24. CASH AT BANKS AND IN HAND

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

	The Group		
	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 the 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.

25. BORROWINGS

	The 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:

	2009	The Group 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) The 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 the Group's leasehold land and buildings with carrying amounts of HK\$10,287,000 and HK\$38,005,000 respectively (note 17).
- (d) Borrowings of the Group during the Relevant Periods were secured by certain corporate guarantees provided by the Company.
- (e) The maturity date of the discounted bills recourse is within 3 to 6 months from inception date of the discounted bills.

26. ACCOUNTS PAYABLE

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

	2009	The Group 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.

27. OBLIGATIONS UNDER FINANCE LEASES

The 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 the 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	Interest	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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 is analysed as:

	The Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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>

28. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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, the Group did not hold any forward foreign currency contracts.

In addition, the 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 31 March 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.

29. 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>		Cash flow hedges <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Provision <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, the 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.

30. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Shares of the Company with nominal value of HK\$0.01 each		
Authorised:		
As at 31 March 2009, 2010 and 2011	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 31 March 2009, 2010 and 2011	<u>271,700,000</u>	<u>2,717</u>

31. SHARE OPTION SCHEME

On 26 February 2007, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Eligible participants of the Share Option Scheme include, (i) any executive director, employee or proposed employee of the Group or any invested entity; (ii) any non-executive director (including independent non-executive directors) of the Group or invested entity; (iii) any discretionary trust whose discretionary objects may be any executive director, employee or proposed employee and any non-executive director of the Group or invested entity; and (iv) advisers and consultants who are members of the Company's advisory boards and other persons engaged as long term advisers or consultants to the Group.

The Share Option Scheme became effective on 26 February 2007 and, unless otherwise cancelled or amended, will remain in force for a period of ten years to 25 February 2017.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant in any 12-month period must not exceed 1% of the aggregate number of shares of the Company in issue. Where any further grant of options to an eligible participant would result in the shares issued or to be issued upon exercise of all options granted and to be granted to such eligible participant in the 12-month period up to and including

the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such an eligible participant and his associates abstaining from voting.

The exercise price of the share options is determinable by the committee of the board of the directors of the Company, but must be at least be the highest of: (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average of the closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange over the five trading days immediately preceding the date of grant; (c) the nominal value of a share.

During the Relevant Periods, no share option was granted to the eligible employees. During the years ended 31 March 2009, 2010 and 2011, 430,000, 470,000, 200,000 share options respectively were forfeited. The movements in the number of share options under the Share Option Scheme during the Relevant Periods are as follows:

Date of grant	At beginning of year	Granted during the year	Forfeited during the year	At end of year	Exercise price	Closing price at date of grant	Exercise period
Year ended 31 March 2009							
1 February 2008*	1,680,000	—	(215,000)	1,465,000	HK\$1.27	HK\$1.25	1 February 2010 to 31 January 2012
1 February 2008*	1,680,000	—	(215,000)	1,465,000	HK\$1.27	HK\$1.25	1 February 2011 to 31 January 2012
	<u>3,360,000</u>	<u>—</u>	<u>(430,000)</u>	<u>2,930,000</u>			
Year ended 31 March 2010							
1 February 2008*	1,465,000	—	(235,000)	1,230,000	HK\$1.27	HK\$1.25	1 February 2010 to 31 January 2012
1 February 2008*	1,465,000	—	(235,000)	1,230,000	HK\$1.27	HK\$1.25	1 February 2011 to 31 January 2012
	<u>2,930,000</u>	<u>—</u>	<u>(470,000)</u>	<u>2,460,000</u>			
Year ended 31 March 2011							
1 February 2008*	1,230,000	—	(100,000)	1,130,000	HK\$1.27	HK\$1.25	1 February 2010 to 31 January 2012
1 February 2008*	1,230,000	—	(100,000)	1,130,000	HK\$1.27	HK\$1.25	1 February 2011 to 31 January 2012
	<u>2,460,000</u>	<u>—</u>	<u>(200,000)</u>	<u>2,260,000</u>			

* The fair value of each share options granted in 2008 was 0.76 HK cents. The Group had not recognised an equity-settled share-based payment expenses in respect of the above share options as the amount is insignificant.

At the date of approval of the Financial Information, the Company had 2,110,000 share options outstanding under the Share Option Scheme.

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page II-9 of the Financial Information.

The nature and purposes of reserves are set out below.

Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

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 the Company in exchange therefor. This reserve is distributable.

Capital reserve

The capital reserve represents the value of forward liabilities arising from the 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(d).

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(l).

The Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	79,836	148,326	16,949	245,111
Profit and total comprehensive income for the year	—	—	5,430	5,430
Dividends	—	—	(21,736)	(21,736)
At 31 March 2009	79,836	148,326	643	228,805
Loss and total comprehensive income for the year	—	—	(288)	(288)
At 31 March 2010	79,836	148,326	355	228,517
Loss and total comprehensive income for the year	—	—	(553)	(553)
At 31 March 2011	<u>79,836</u>	<u>148,326</u>	<u>(198)</u>	<u>227,964</u>

Contributed surplus

Contributed surplus represents the excess of the consolidated net assets represented by the shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange therefor under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange.

Reserves available for distribution

At 31 March 2009, 2010 and 2011, the aggregate amount of reserves available for distribution to owners of the Company was HK\$228,805,000, HK\$228,517,000 and HK\$227,964,000 respectively, which represents the aggregate of retained earnings/accumulated losses, contributed surplus and share premium at the each end of Relevant Periods.

33. DISPOSAL OF A SUBSIDIARY

On 13 November 2008, the 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>
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>

34. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

	The Company		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with facilities granted to subsidiaries	<u>308,733</u>	<u>305,133</u>	<u>316,300</u>

As at 31 March 2009, 2010 and 2011, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$160,112,000, HK\$144,160,000 and HK\$258,064,000 respectively, which is the maximum amount of guarantee could be called on demand.

35. OPERATING LEASE COMMITMENTS

As lessor

The 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, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

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

As lessee

The 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:

	2009	The Group	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2009	The Group	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of reporting period:

	2009	The Group 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>

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these Financial Information, during the Relevant Periods, the 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 Company ("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 the Company, 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 37(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 the 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	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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>Notes (i)</i>)	—	8,043	4,975
Noble Enterprises Limited, a company in which a director of the Company 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 the Company	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 the Company 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 the Company	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. The 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) In November 2008, the Group disposed of its entire equity interest of a subsidiary, Trinity Hong Kong Limited to a family member of Mr. Chan.
- (e) In February 2009, the Group acquired 4% equity interest of Chenghuang Jewellery from Mr. Zhou Dehua, an ex-independent non-executive director of the Company. The consideration for the interest of an associate is approximately HK\$10,044,000.

The above transaction (c) (note (i)), (d) and (e) also constitute connected transaction as defined in Chapter 14A of the Listing Rules.

38. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the 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 the Group consists of debts, which includes the borrowings disclosed in the note 25, cash at banks and in hand and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings as disclosed in notes 30 and 32 respectively.

The 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, the 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	The Group 2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Debts	160,113	144,169	258,064
Less: Cash at banks and in hand	<u>(14,344)</u>	<u>(27,461)</u>	<u>(14,303)</u>
Net debt	<u>145,769</u>	<u>116,708</u>	<u>243,761</u>
Equity	<u>254,327</u>	<u>259,090</u>	<u>259,139</u>
Net debt to equity ratio	<u>57%</u>	<u>45%</u>	<u>94%</u>

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the 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 the Group in accordance with the financial management policies and practices described below.

(a) Credit risk

The 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 the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

The 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, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in note 23.

(b) Liquidity risk

The 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 the 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 the 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.

The 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
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	—	43,681	—	43,681	—	45,636	45,636	—	74,911	74,911
Amounts due to a related parties	4,363	—	—	4,363	1,066	—	1,066	389	—	389
Obligations under finance leases	—	119	40	159	—	40	40	—	—	—
Derivative financial instruments	—	—	—	—	—	120	120	—	31	31
	<u>164,476</u>	<u>91,261</u>	<u>40</u>	<u>255,777</u>	<u>145,235</u>	<u>158,146</u>	<u>303,381</u>	<u>258,453</u>	<u>187,736</u>	<u>446,189</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-42. Taking into account the 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

The Group	On demand	Within 6 months	More than 6 months but within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows
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

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

The following table details the interest rate profile of the 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%	93,462	1.66% to 1.94%	100,024	2.16% to 2.55%	164,937
		<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 the 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

The 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 28).

The following table details the 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.

As at 31 March 2009	USD	GBP	EUR	RMB	JPY
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
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	<u>(211)</u>	<u>(14)</u>	<u>—</u>	<u>(8)</u>	<u>(94)</u>
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	USD	GBP	EUR	RMB	JPY
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
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	<u>(14)</u>	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>—</u>
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	USD '000	GBP '000	EUR '000	RMB '000	JPY '000
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 the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the 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.

The Group	Increase/ (decrease) in foreign exchange rate	2009		2010		2011		Effect on other components of equity HKS'000	
		Effect on profit for the year and retained profits HKS'000	Effect on other components of equity HKS'000	Effect on profit for the year and retained profits HKS'000	Effect on profit for the year and retained profits HKS'000	Effect on profit for the year and retained profits HKS'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

The 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 the Group's financial performance. The Group historically did not use any commodity derivative instrument to hedge the potential price fluctuations of gold and diamond, however, the 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.

The 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.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the 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>145,375</u>	<u>175,123</u>	<u>174,078</u>
Financial liabilities			
Financial liabilities measured at amortised cost	242,055	300,342	410,847
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 2010 and 2011, the 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.

41. 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, disposed of its property in the PRC to 廣州市福平物業管理有限公司, 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 proposed reorganisation of the Group. As part of the Group Reorganisation, the Group proposed to distribute the whole of fine jewelry design, manufacture and trading businesses (the "Distributed Businesses") other than certain of jewelry manufacture and trading business in the PRC (the "Retained Businesses"), for which would be retained by the Group, in specie to the shareholders of the Company.

The financial information of the Distributed Businesses, excluding the Retained Businesses for the Relevant Periods is disclosed as follows:

Assets and liabilities at 31 March 2009, 2010 and 2011

	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Property, plant and equipment	35,644	37,501	78,446
Associates	62,874	63,510	75,167
Long term deposits	—	1,026	—
Other assets	—	2,110	2,161
Deferred tax assets	1,105	1,041	—
Inventories	220,379	231,990	316,859
Accounts receivable	99,881	96,681	122,005
Other receivables, deposits and prepayments	12,382	21,369	10,410
Amounts due from related parties	7,995	25,129	15,866
Cash at banks and in hand	11,664	25,204	9,556
Borrowings	(160,113)	(144,169)	(244,698)
Accounts payable	(47,402)	(111,405)	(112,706)
Other payables and accrued charges	(27,437)	(39,677)	(67,526)
Amounts due to related parties	(5,648)	(3,878)	(361)
Obligations under finance leases	(159)	(40)	—
Derivative financial instruments	—	(120)	(31)
Tax payables	(806)	(1,331)	(3,396)
Deferred tax liabilities	—	—	(724)
Net assets attributable to the Group	210,359	204,941	201,028
Less:			
Amounts due to other group companies within the Group*	(46,823)	(33,207)	(29,804)
Non-controlling interests	—	(811)	—
	<u>163,536</u>	<u>170,923</u>	<u>171,224</u>

* The amounts due to other group companies within the Group represented (i) the outstanding intra-group balances among the Company and Retained Businesses, and the Distributed Businesses 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 Distributed Business, 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	574,016	482,494	585,324
Cost of sales	<u>(434,814)</u>	<u>(349,303)</u>	<u>(440,704)</u>
Gross profit	139,202	133,191	144,620
Other revenue	1,497	1,607	5,762
Distribution costs	(30,750)	(31,725)	(36,510)
Administrative expenses	(107,580)	(86,828)	(117,887)
Other gains and losses	15,429	(200)	453
Finance costs	(10,287)	(5,326)	(6,137)
Share of results of associates	<u>(3,544)</u>	<u>(336)</u>	<u>4,018</u>
Profit/(loss) before income tax	3,967	10,383	(5,681)
Income tax expenses	<u>(4,269)</u>	<u>(4,870)</u>	<u>(4,405)</u>
(Loss)/profit for the year	<u>(302)</u>	<u>5,513</u>	<u>(10,086)</u>
Other comprehensive income			
Exchange differences on translating foreign operations	578	759	1,142
Surplus on revaluation of leasehold land and buildings	—	—	5,959
Amounts reclassified to initial carrying amount of hedged items	<u>4,327</u>	<u>—</u>	<u>—</u>
Other comprehensive income for the year	<u>4,905</u>	<u>759</u>	<u>7,101</u>
Total comprehensive income for the year	<u><u>4,603</u></u>	<u><u>6,272</u></u>	<u><u>(2,985)</u></u>

Cash flows for the Relevant Periods

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash flows from operating activities			
Profit/(loss) before income tax	3,966	10,382	(5,681)
Adjustments for:			
Share of loss/(profit) of associates, net	3,544	336	(4,018)
Depreciation of property, plant and equipment	4,642	4,699	8,710
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	(81)	(64)	(449)
Interest expenses	7,415	3,777	4,550
Operating cash flows before working capital	9,358	24,469	4,656
Decrease/(increase) in inventories	56,307	(13,832)	(86,003)
Decrease/(increase) in accounts receivable	20,788	(1,324)	(26,519)
(Increase)/decrease in other receivables, deposits and prepayments	(2,332)	(8,987)	10,959
Decrease/(increase) in amounts due from related parties	4,128	(17,682)	8,307
(Decrease)/increase in accounts payable	(91,766)	64,003	1,301
(Decrease)/increase in other payables and accrued charges	(19,152)	12,240	27,849
Increase/(decrease) in amounts due to other group companies within the Group	16,031	(12,716)	(5,439)
Decrease/(increase) in amounts due to related parties	659	(1,771)	(3,517)
Effect of change in foreign exchange rate	3,932	(89)	2,620
Cash (used in)/generated from operations	(2,047)	44,311	(65,786)
Income tax paid	(7,399)	(4,281)	(2,381)
Interest element of finance lease payments	(13)	(13)	(1)
Interest paid	(7,402)	(3,764)	(4,549)
Net cash (used in)/generated from operating activities	(16,861)	36,253	(72,717)

	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
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	14	8
Payments to acquire property, plant and equipment	(9,117)	(6,419)	(40,384)
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)	—	—
Disposal of a subsidiary (<i>Note 33</i>)	10	—	—
Interest received	81	64	449
	<u>16,841</u>	<u>(7,551)</u>	<u>(47,517)</u>
Net cash generated from/(used in) investing activities			
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	36,140
Repayment of bank loans	(94,685)	(81,180)	(10,191)
Capital contribution from the Group other than Disposal Business	3,402	918	3,932
Dividends paid to the Company	(5,434)	—	—
	<u>(10,427)</u>	<u>(8,697)</u>	<u>99,488</u>
Net cash (used in)/generated from financing activities			
Net (decrease)/increase in cash and cash equivalents	(10,447)	20,005	(20,746)
Effect of change in foreign exchange rate	(138)	(17)	165
Cash and cash equivalents at beginning of year	<u>15,792</u>	<u>5,207</u>	<u>25,195</u>
Cash and cash equivalents at end of year	<u><u>5,207</u></u>	<u><u>25,195</u></u>	<u><u>4,614</u></u>

- (d) Pursuant to the Group Reorganisation, the Group proposed to cease the jewelry retail business in the PRC of the Retained Businesses.

The financial information relevant to the PRC jewelry retail business for the Relevant Periods is disclosed as follows:

Comprehensive income for the Relevant Periods

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	941	12,074
Cost of sales	—	(843)	(10,744)
Gross profit	—	98	1,330
Distribution costs	—	(109)	(1,159)
Administrative expenses	—	(296)	(191)
Finance costs	—	—	(294)
Loss before income tax	—	(307)	(314)
Income tax expenses	—	—	—
Loss for the year	—	(307)	(314)

Cash flows for the Relevant Periods

	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Loss before income tax	—	(307)	(314)
Adjustments for:			
Interest expenses	—	—	294
Operating cash flows before working capital	—	(307)	(20)
Increase in inventories	—	(9,953)	(632)
Increase in accounts receivable	—	(1,112)	(3,679)
Amount due to other business of the Retained Businesses	—	11,372	4,625
Cash generated from operations	—	—	294
Interest paid	—	—	(294)
Net cash from operating activities	—	—	—

D SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully

For and on behalf of

BDO Limited

Certified Public Accountants

Hong Kong

Ng Wai Man

Practising Certificate number: P05309

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.



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30 September 2011

The Directors
Noble Jewelry Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Privateco Financial Information”) of Noble Jewelry Investment Limited (“Privateco”) and its subsidiaries (hereinafter collectively referred to as the “Privateco Group”), including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Privateco Group for each of the three years ended 31 March 2009, 2010 and 2011 (the “Relevant Periods”), and the combined statements of financial position of the Privateco Group as at 31 March 2009, 2010 and 2011, together with explanatory notes thereon, for inclusion in the circular of Noble Jewelry Holdings Limited (the “Company”) dated 30 September 2011 (the “Circular”) in connection with the proposed (1) group reorganisation of the Company (the “Group Reorganisation”) and (2) distribution in specie of the shares of Privateco (the “Distribution In Specie”).

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, Privateco became the holding company of the subsidiaries now comprising the Privateco Group.

As at the date of this report, the particulars of the Privateco's subsidiaries are as follows:

Name	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by Privateco directly	Attributable equity interest held by Privateco indirectly	Principal activities
Noble Jewelry Limited	Hong Kong 9 June 1992	Hong Kong	HK\$1,000,000	—	100%	Design, manufacture and trading of jewelry
廣州市億鑽珠寶有限公司* (translated as Guangzhou Yizuan Jewelry Co., Ltd.)	PRC 12 April 2004	PRC	HK\$26,000,000	—	100%	Processing of jewelry
NJUK Limited	United Kingdom 23 January 2001	United Kingdom	£1	—	100%	Trading of jewelry
Topwin Trading Limited	Hong Kong 15 April 2005	Hong Kong	HK\$2	—	100%	Trading of jewelry
Chad Allison Corporation	The State of Delaware, the U.S. 24 March 2006	U.S.	US\$2,000	—	100%	Design and trading of jewelry
Noble Jewelry Limited	The State of New York, the U.S. 20 September 2005	U.S.	US\$100,000	—	100%	Trading of jewelry
Farwin Limited	Hong Kong 22 June 2001	India	HK\$10,000	—	100%	Acting as purchase agent
上海億炫珠寶有限公司* (translated as Shanghai Noble Concepts Jewelry Limited)	PRC 4 December 2008	PRC	RMB5,500,000	—	100%	Design and trading of jewelry
N.A. Marketing Limited	The State of Texas, the U.S. 6 May 2009	U.S.	US\$3,500	—	92.5%	Trading of jewelry
Noble Jewelry (BVI) Limited	British Virgin Islands 2 June 2006	Hong Kong	US\$20,000	100%	—	Investment holding
Noble Jewelry (Overseas) Limited	Mauritius 8 May 1996	Hong Kong	US\$100,000	—	100%	Investment holding
Full Fame International Limited	British Virgin Islands 10 August 2010	Hong Kong	US\$100	—	100%	Processing of jewelry
Grandpower Holdings Limited	British Virgin Islands 2 January 2001	Hong Kong	US\$1	—	100%	Investment holding
G.P. Wedding Etiquette Services Limited	Hong Kong 3 December 2009	Hong Kong	HK\$10,000	—	67.33%	Investment holding
廣州芝柏婚慶禮儀服務有限公司 (translated as Guangzhou G.P. Wedding Etiquette Services Limited)	PRC 17 March 2010	PRC	HK\$8,000,000	—	67.33%	Providing wedding etiquette services
廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited)	PRC 29 March 2010	PRC	HK\$3,898,519	—	51%	Trading of jewelry
Noble Gold and Diamond Trading Limited	Hong Kong 8 August 2005	Hong Kong	HK\$10,000	—	100%	Trading of jewelry
N.A. Marketing Limited	British Virgin Islands 15 May 2009	Hong Kong	US\$20,000	—	92.5%	Investment holding

* These subsidiaries established in the PRC are wholly foreign-owned enterprises.

No audited financial statements have been prepared for Privateco since its date of incorporation as it was newly incorporated and has not been involved in any significant business transactions since incorporation other than the Group Reorganisation.

For the purpose of this report, the directors of Privateco (the “Privateco Directors”) have prepared the underlying financial statements of Privateco Group for the Relevant Periods (the “Privateco Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Privateco Financial Information sets out in this report has been prepared from the Privateco Financial Statements by the Privateco Directors with no adjustment made thereon.

For the purpose of this report, we have carried out audit procedures in respect of the Privateco Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Privateco Group, and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant” issued by the HKICPA.

Privateco Directors are responsible for the preparation of the Privateco Financial Statements and the Privateco Financial Information which give a true and fair presentation in accordance with the HKFRSs, and for such internal control as the Privateco Directors determine is necessary to enable the preparation of the Privateco Financial Statements that are free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included. Our responsibility is to form an independent opinion, based on our procedures on the Privateco Financial Information, and to report our opinion thereon to you.

In our opinion, the Privateco Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in notes 1 and 3 of Section C below and in accordance with the significant accounting policies in note 4 of Section C below, gives a true and fair view of the state of affairs of the Privateco Group as at 31 March 2009, 2010 and 2011 and of the results and cash flows of the Privateco Group for the Relevant Periods.

B FINANCIAL INFORMATION OF PRIVATECO GROUP**Combined Statements of Comprehensive Income**

	<i>Notes</i>	Year ended 31 March		
		2009	2010	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

	<i>Notes</i>	As at 31 March		
		2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <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>

C 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 Privateco 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 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，廣州芝柏婚慶禮儀服務有限公司 and 上海億炫珠寶有限公司 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 Shandong 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 III-8 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	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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 III-40. 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%	93,462	1.66% to 1.94%	100,024	2.16% to 2.55%	164,937
		<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 <i>HKS'000</i>	Increase/ (decrease) in foreign exchange rate	2010	Effect on other components of equity <i>HKS'000</i>	Increase/ (decrease) in foreign exchange rate	2011	Effect on other components of equity <i>HKS'000</i>
		Effect on profit for the year end retained profits <i>HKS'000</i>			Effect on profit for the year end retained profits <i>HKS'000</i>			Effect on loss for the year end retained profits <i>HKS'000</i>	
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, disposed of its property in the PRC to 廣州市福平物業管理有限公司, 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)
Net assets attributable to Privateco Group	29,875	40,354	47,793
Less			
Amounts due to other group companies of Privateco Group*	(22,091)	(35,716)	(42,042)
	<u>7,784</u>	<u>4,638</u>	<u>5,751</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 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <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

D 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.

Yours faithfully

For and on behalf of

BDO Limited

Certified Public Accountants

Hong Kong

Ng Wai Man

Practising Certificate number: P05309

(A) MANAGEMENT DISCUSSION AND ANALYSIS OF THE RETAINED BUSINESSES

The Group is principally engaged in the design, manufacturing and trading of fine jewelry products. Its principal customers are located in the US, Europe, Middle East, Asia-Pacific region and the PRC. The Group is also engaged in retail of fine jewelry in the US, Spain and the PRC.

After the Group Reorganisation, the Remaining Group will comprise the Company's 100% interest in Remaining Holdco and the Remaining Group Entities, which will be principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

For the avoidance of doubt, while the Group carries out the PRC jewelry retail business through the PRC Entities and Guangzhou Sinoble (which is one of the Remaining Group Entities) during the three financial years ended 31 March 2009, 2010 and 2011, pursuant to the Group Reorganisation, the Remaining Group will cease the PRC jewelry retail business by transferring its equity interest in the PRC Entities to the Privateco Group and terminating Guangzhou Sinoble's retail consignment arrangements and franchise agreement in relation to the PRC jewelry retail business. The Remaining Group will not be engaged in the PRC jewelry retail business upon completion of the Group Reorganisation.

Set out below is a summary of the financial information of the Remaining Businesses and the PRC jewelry retail business (which will be terminated pursuant to the Group Reorganisation) (collectively, the "Retained Businesses") for the three financial years ended 31 March 2009, 2010 and 2011 as extracted from note 36 to the accountants' report of Privateco as set out in Appendix III to this circular:

	For the year ended 31 March 2009 HK\$'000	For the year ended 31 March 2010 HK\$'000	For the year ended 31 March 2011 HK\$'000
Turnover	57,931	38,834	58,075
Gross profit	8,399	4,728	7,106
Profit/(loss) before income tax	4,233	(2,173)	226
Profit/(loss) for the year	4,233	(2,173)	226
	As at 31 March 2009 HK\$'000	As at 31 March 2010 HK\$'000	As at 31 March 2011 HK\$'000
Net assets value	7,784	4,638	5,751

Set out below is a summary of the financial information of the PRC jewelry retail business for the three financial years ended 31 March 2009, 2010 and 2011 as extracted from note 41(d) to the accountants' report of the Company as set out in Appendix II to this circular:

	For the year ended 31 March 2009 HK\$'000	For the year ended 31 March 2010 HK\$'000	For the year ended 31 March 2011 HK\$'000
Turnover	—	941	12,074
Gross profit	—	98	1,330
Loss for the year	—	(307)	(314)

Shareholders shall note that the following discussion and analysis on the Retained Businesses for the three financial years ended 31 March 2009, 2010 and 2011 are based on the financial information of the Retained Businesses as set out in note 36 to the accountants' report of Privateco as set out in Appendix III to this circular.

Business review for the year ended 31 March 2009

Operating Results

For the year ended 31 March 2009, the Retained Businesses recorded turnover of approximately HK\$57.9 million with gross profit margin at approximately 14.5% and recorded net profit of approximately HK\$4.2 million.

Despite the ongoing financial crisis, the Retained Businesses has continued to expand its business in the PRC market. To foster the continuous development in the PRC jewelry wholesale market, the Retained Businesses continued to make significant progress with the development of new distribution networks by forming a joint venture with a local wholesale network operator in the Shangdong province in early 2009 in order to expand the wholesale network to Northern China. In terms of the Retained Businesses' jewelry retail business, the Retained Businesses acquired 20% equity interest in Shanghai Chenghuang Jewelry Limited, which owns the well-known "Chenghuang Jewelry" brand, in February 2009 and this strategic alliance made it possible for the Retained Businesses to begin operating its first retail store in China in early 2009.

Liquidity and Financial Resources

As at 31 March 2009, the Retained Businesses' net current liabilities and current ratio were approximately HK\$6.8 million and 0.9, respectively. Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was nil as at 31 March 2009 as the Retained Businesses did not have any borrowings.

As at 31 March 2009, the Retained Businesses' cash at banks and in hand amounted to approximately HK\$2.5 million.

Charge on Assets

As at 31 March 2009, the Retained Businesses had no charges on the assets.

Capital Structure

For the year ended 31 March 2009, the Retained Businesses financed its liquidity requirements through cash flows generated from operation.

Capital Commitment and Contingent Liabilities

As at 31 March 2009, the Retained Businesses had approximately HK\$2.6 million of capital commitments and approximately HK\$0.3 million as operating lease commitments.

As at 31 March 2009, the Retained Businesses did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Retained Businesses acquired 20% equity interest in Shanghai Chenghuang Jewelry Limited in February 2009 and set up a subsidiary, Shanghai Noble Concepts Jewelry Limited, in December 2008.

Save as disclosed above, the Retained Businesses did not have any significant investments, material acquisitions or disposals during the year ended 31 March 2009.

Staff and Remuneration Policy

As at 31 March 2009, the Retained Businesses had a total of 149 employees. Staff cost for the year ended 31 March 2009 was approximately HK\$6.9 million. The Retained Businesses remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Retained Businesses and individual employees. Other benefits include share option scheme and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2009, the Retained Businesses operated principally in the PRC and was not exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2009, the Retained Businesses did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2009.

Business review for the year ended 31 March 2010

For the year ended 31 March 2010, the Retained Businesses recorded turnover of approximately HK\$38.8 million with gross profit margin at approximately 12.2% and recorded net loss of approximately HK\$2.2 million.

Operating Results

As the effects of the financial crisis continued to linger, the Retained Businesses' turnover was negatively affected. In addition, one of the Retained Businesses' top customers went into debt restructuring and as a result, the customer ended the business relationship with the Retained Businesses during the financial year ended 31 March 2010. The Retained Businesses recorded a net loss for the year ended 31 March 2010 as compared to the previous year's net profit as a result of an approximately 33.0% decrease in turnover and approximately 95.0% increase in administrative expenses as a result of the rapid expansion of the retail business in the PRC. More key management staff was hired and more rental expenses were incurred as a result of the retail business expansion in the PRC.

Liquidity and Financial Resources

As at 31 March 2010, the Retained Businesses' net current liabilities and current ratio were approximately HK\$9.1 million and 0.9, respectively (2009: HK\$6.8 million and 0.9, respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was nil as at 31 March 2010 (2009: nil) as the Retained Businesses did not have any borrowings. The increase in net current liabilities for the year under review was mainly attributable to the approximately 61.7% increase in amounts due to other group companies of Privateco Group.

As at 31 March 2010, the Retained Businesses' cash at banks and in hand amounted to approximately HK\$2.1 million (2009: HK\$2.5 million).

Charge on Assets

As at 31 March 2010, the dormitory in Pan Yu of the Retained Businesses with carrying value of HK\$10.3 million was pledged as a security for its banking facilities.

Capital Structure

For the year ended 31 March 2010, the Retained Businesses financed its liquidity requirements through cash flows generated from operation.

Capital Commitment and Contingent Liabilities

As at 31 March 2010, the Retained Businesses had approximately HK\$2.4 million (2009: 2.6 million) of capital commitments and approximately HK\$0.4 million (2009: 0.3 million) as operating lease commitments.

As at 31 March 2010, the Retained Businesses did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Retained Businesses did not have any significant investments, material acquisitions or disposals during the year ended 31 March 2010.

Staff and Remuneration Policy

As at 31 March 2010, the Retained Businesses had a total of 108 employees (2009: 149 employees). Staff cost for the year ended 31 March 2010 was approximately HK\$5.9 million, representing a decrease of approximately 14.5% as compared to 2009 of approximately HK\$6.9 million. The Retained Businesses remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Retained Businesses and individual employees. Other benefits include share option scheme and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2010, the Retained Businesses operated principally in the PRC and was not exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2010, the Retained Businesses did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010.

Business review for the year ended 31 March 2011*Operating Results*

For the year ended 31 March 2011, the Retained Businesses recorded turnover of approximately HK\$58.1 million with gross profit margin at approximately 12.2% and recorded net profit of approximately HK\$0.2 million.

With the recovery in the global economy, the jewelry market in the PRC benefited from the increasingly strong domestic consumption sentiment. As a result, the turnover for the year ended 31 March 2011 increased by approximately 49.6% from the previous year. As a result of the increase in turnover and an approximately 56.0% decrease in administrative expenses, the Retained Businesses reversed from loss-making for the year ended 31 March 2010 to profit-making for the year ended 31 March 2011.

Liquidity and Financial Resources

As at 31 March 2011, the net current assets and current ratio of the Retained Businesses were approximately HK\$4.2 million and 1.0, respectively (2010: HK\$9.1 million and 0.8, respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was approximately 152.1% as at 31 March 2011 (2010: nil). The increase in net gearing ratio was mainly due to the increase in banking borrowings from nil for the year ended 31 March 2010 to approximately HK\$13.4 million for the year ended 31 March 2011. The purpose of the bank borrowings were for gold loan for production of jewelries.

As at 31 March 2011, the cash at banks and in hand of the Retained Businesses amounted to approximately HK\$4.6 million (2010: HK\$2.1 million).

Charge on Assets

As at 31 March 2011, the dormitory in Pan Yu of the Retained Businesses with carrying value of HK\$12.2 million was pledged as a security for its banking facilities.

Capital Structure

For the year ended 31 March 2011, the Retained Businesses financed its liquidity requirements through a cash flows generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As at 31 March 2011, the Retained Businesses had approximately HK\$5.7 million (2010: 2.4 million) of capital commitments and approximately HK\$14.6 million (2010: 0.4 million) as operating lease commitments.

As at 31 March 2011, the Retained Businesses did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Retained Businesses acquired 30% equity interest in 山東嘉億珠寶有限公司 (translated as Shandong Jiayi Jewelry Limited, “Shandong Jiayi”), established 杭州城隍珠寶有限公司 (translated as Hangzhou Chenghuang Jewelry Limited, “Hangzhou Chenghuang”) and further injected approximately HK\$1.1 million in 廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited, “Guangzhou Huifu”) during the year ended 31 March 2011. Each of Shandong Jiayi, Hangzhou Chenghuang and Guangzhou Huifu with equity interest of 30%, 33% and 51% respectively was engaged in the trading of jewelry products.

Save as disclosed above, the Retained Businesses did not have any significant investments, material acquisitions or disposals during the year ended 31 March 2011.

Staff and Remuneration Policy

As at 31 March 2011, the Retained Businesses had a total of 91 employees (2010: 108 employees). Staff cost for the year ended 31 March 2011 was approximately HK\$4.4 million, representing a decrease of approximately 25.4% as compared to 2010 of approximately HK\$5.9 million. The Retained Businesses remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Retained Businesses and individual employees. Other benefits include share option scheme and contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2011, the Retained Businesses operated principally in the PRC and was not exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2011, the Retained Businesses did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2011.

(B) MANAGEMENT DISCUSSION AND ANALYSIS ON THE DISTRIBUTED BUSINESSES

The Group is principally engaged in the design, manufacturing and trading of fine jewelry products. Its principal customers are located in the US, Europe, Middle East, Asia-Pacific region and the PRC. The Group is also engaged in retail of fine jewelry in the US, Spain and the PRC.

The Distributed Businesses to be operated by the Privateco Group will consist principally of the 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. Pursuant to the Group Reorganisation, the PRC Entities will be transferred to the Privateco Group and it will continue to operate jewelry retail business in the PRC until it is completely wound down by the end of 2011.

As at the date of the accountants' report of Privateco set out in Appendix III to this circular, Privateco is a directly wholly owned subsidiary of the Company and the holding company of existing members of the Group.

Set out below is a summary of the audited financial information of the Privateco Group for the three financial years ended 31 March 2009, 2010 and 2011 as extracted from Appendix III to this circular:

	For the year ended 31 March 2009 <i>HK\$'000</i>	For the year ended 31 March 2010 <i>HK\$'000</i>	For the year ended 31 March 2011 <i>HK\$'000</i>
Turnover	631,947	521,328	643,399
Gross profit	147,601	137,919	151,726
Profit/(loss) before income tax	5,603	8,210	(5,455)
Profit/(loss) for the year	1,334	3,340	(9,860)
	As at 31 March 2009 <i>HK\$'000</i>	As at 31 March 2010 <i>HK\$'000</i>	As at 31 March 2011 <i>HK\$'000</i>
Equity attributable to owners of Privateco	171,320	175,561	176,975

Set out below is a summary of the audited financial information of the Distributed Businesses for the three financial years ended 31 March 2009, 2010 and 2011 as extracted from note 41 to the accountants' report of the Company as set out in Appendix II to this circular:

	For the year ended 31 March 2009 HK\$'000	For the year ended 31 March 2010 HK\$'000	For the year ended 31 March 2011 HK\$'000
Turnover	574,016	482,494	585,324
Gross profit	139,202	133,191	144,620
Profit/(loss) before income tax	3,967	10,383	(5,681)
(Loss)/profit for the year	(302)	5,513	(10,086)
	As at 31 March 2009 HK\$'000	As at 31 March 2010 HK\$'000	As at 31 March 2011 HK\$'000
Net assets value	163,536	170,923	171,224

Business review for the year ended 31 March 2009

Operating Results

For the year ended 31 March 2009, the Distributed Businesses recorded turnover of approximately HK\$574.0 million with gross profit margin at approximately 24.3% and recorded net loss of approximately HK\$0.3 million.

Such loss was mainly due to the decreased demand for fine jewelry as a result of the global financial crisis from most of its overseas markets, and share of loss from associates of approximately HK\$3.5 million. The share of loss from associates mainly came from Noblediam S.L, which was mainly engaged in the trading of jewelry in Spain.

In order to mitigate the adverse effect on the performance of the Distributed Businesses arising from the drop in demand in the US and European markets and high raw material prices, the Distributed Businesses expanded its distribution networks and adopted effective cost control measures to minimize operating costs, which included increasing the use of subcontractors, streamlining operations and production processes, and strategically moving some operations from Hong Kong to the PRC logistics bases.

Liquidity and Financial Resources

As at 31 March 2009, the Distributed Businesses' net current assets and current ratio were approximately HK\$63.9 million and 1.2, respectively. Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was approximately 90.8% as at 31 March 2009.

The banking facilities of the Distributed Businesses, comprising primarily bank overdrafts and bank loans, amounted to HK\$308.7 million as at 31 March 2009, out of which approximately HK\$148.6 million was unutilised.

As at 31 March 2009, the cash at banks and in hand of the Distributed Businesses amounted to approximately HK\$11.7 million.

Charge on Assets

As at 31 March 2009, the banking facilities of the Distributed Businesses were not secured by any of the Distributed Businesses' assets.

Capital Structure

For the year ended 31 March 2009, the Distributed Businesses financed its liquidity requirements through a combination of cash flow as generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As at 31 March 2009, the Distributed Businesses had approximately HK\$0.3 million of capital commitments and approximately HK\$17.9 million as operating lease commitments.

As at 31 March 2009, the Distributed Businesses did not have any contingent liabilities.

Significant Investment, Material Acquisitions and Disposals

The Distributed Businesses did not have any significant investments, material acquisitions or disposals for the year ended 31 March 2009.

Staff and Remuneration Policy

As at 31 March 2009, the Distributed Businesses had a total of 931 employees. Staff cost for the year ended 31 March 2009 was approximately HK\$101.9 million. The Distributed Businesses remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Distributed Businesses and individual employees.

Foreign Exchange Fluctuation and Hedge

The Distributed Businesses operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars, British Pounds, Euros and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the year, the Distributed Businesses entered into foreign currency forward contracts. The purpose is to manage the currency risks arising from its highly probable foreign currency forecast sales.

As at 31 March 2009, no forward currency contract was designated as hedges.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2009.

Business review for the year ended 31 March 2010*Operating Results*

For the year ended 31 March 2010, the Distributed Businesses recorded turnover of approximately HK\$482.5 million with gross profit margin at approximately 27.6% and recorded net profit of approximately HK\$5.5 million.

The turnover of the Distributed Businesses decreased by approximately 15.9% mainly as a result of the lackluster US and European markets and the lingering effects of the global financial crisis. The Distributed Businesses, however, experienced an upturn in performance towards the second half of the financial year, which can partly be attributed to better consumption sentiment resulting from a gradually improving world economy, as well as seasonally related spending. The Distributed Businesses took measures to expand its sales network and diversify into other key markets, such as extending its presence into the Russian Federation to mitigate the sales drop in the lackluster US and European market, as well as employed stringent cost control measures to better adapt to the on-going market adversities. As a result of the above measures taken and an approximately 90.5% decrease in the loss arising from share of results from associates, the Distributed Businesses was profitable for the year ended 31 March 2010 in comparison to the previous year's loss.

Liquidity and Financial Resources

As at 31 March 2010, the net current assets and current ratio of the Distributed Businesses were approximately HK\$66.5 million and 1.2, respectively (2009: approximately HK\$63.9 million and 1.2, respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was approximately 69.6%

as at 31 March 2010 (2009: 90.8%). The decrease in net gearing ratio was mainly due to the decrease in bank borrowings and increase in cash at banks and in hand for the year ended 31 March 2010 in comparison to the previous year.

The banking facilities of the Distributed Businesses, comprising primarily bank overdrafts and bank loans, amounted to HK\$315.4 million as at 31 March 2010, out of which approximately HK\$171.2 million was unutilised.

As at 31 March 2010, the cash at banks and in hand of the Distributed Businesses amounted to approximately HK\$25.2 million (2009: HK\$11.7 million).

Charge on Assets

As at 31 March 2010, the banking facilities of the Distributed Businesses were not secured by any of its assets.

Capital Structure

For the year ended 31 March 2010, the Distributed Businesses financed its liquidity requirements through a combination of cash flow as generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As at 31 March 2010, the Distributed Businesses had no capital commitments (2009: HK\$0.3 million) and approximately HK\$13.6 million as operating lease commitments (2009: HK\$17.9 million).

As at 31 March 2010, the Distributed Businesses did not have any significant contingent liabilities (2009: Nil).

Significant Investment, Material Acquisitions and Disposals

The Distributed Businesses mainly set up two subsidiaries, namely N.A. Marketing Limited in May 2009 and G.P. Wedding Etiquette Services Limited in December 2009.

Save as disclosed above, the Distributed Businesses did not have any significant investments, material acquisitions or disposals during the year ended 31 March 2010.

Staff and Remuneration Policy

As at 31 March 2010, the Distributed Businesses had a total of 779 employees (2009: 931 employees). Staff cost for the year ended 31 March 2010 was approximately HK\$78.6 million, representing a decrease of approximately 22.9% as compared to the financial year of 2009 of approximately HK\$101.9 million. The Distributed Businesses remunerates its

employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Distributed Businesses and individual employees.

Foreign Exchange Fluctuation and Hedge

The Distributed Businesses operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars, British Pounds, Euros and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the year, the Distributed Businesses entered into forward foreign currency contracts. The purpose is to manage the currency risks arising from the highly probable foreign currency forecast sales of the Distributed Businesses.

As at 31 March 2010, no forward currency contract was designated as hedges (2009: Nil).

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010.

Business review for the year ended 31 March 2011

Operating Results

For the year ended 31 March 2011, the Distributed Businesses recorded turnover of approximately HK\$585.3 million with gross profit margin at approximately 24.7% and recorded net loss of approximately HK\$10.1 million.

The Distributed Businesses' turnover increased by approximately 21.3% mainly as a result of steady business growth, recovery of the global economy and better seasonal performance in the second half of the financial year, which was mainly attributable to the fast growth rate in emerging economies in the Middle East and Africa and also improving sales performance in the United Kingdom. Despite an approximately 21.3% increase in turnover, the Distributed Businesses recorded a net loss of approximately HK\$10.1 million as compared to a net profit of approximately HK\$5.5 million for the previous year primarily as a result of an approximately 35.8% increase in administrative expenses 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.

Liquidity and Financial Resources

As at 31 March 2011, the Distributed Businesses' net current assets and current ratio were approximately HK\$16.2 million and 1.0, respectively (2010: HK\$66.5 million and 1.2, respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was approximately 137.3% as at 31 March 2011 (2010: 69.6%). The decrease in net current assets and the increase in net gearing ratio for the year under review were mainly attributable to the significant increase in bank borrowings of approximately 69.7% and the decrease in cash at banks and in hand of approximately 62.1% during the year.

The Distributed Businesses' banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK\$298.7 million as at 31 March 2011, out of which approximately HK\$54.0 million was unutilised.

As at 31 March 2011, the Distributed Businesses' cash at banks and in hand amounted to approximately HK\$9.6 million (2010: HK\$25.2 million).

Charge on Assets

As at 31 March 2011, banking facilities were secured by the pledge of the Distributed Businesses' leasehold land and buildings with carrying amount of HK\$25.8 million.

Capital Structure

For the year ended 31 March 2011, the Distributed Businesses financed its liquidity requirements through a combination of cash flow as generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As at 31 March 2011, the Distributed Businesses had approximately HK\$2.1 million of capital commitments (2010: nil) and approximately HK\$14.1 million as operating lease commitments (2010: HK\$13.6 million).

As at 31 March 2011, the Distributed Businesses did not have any significant contingent liabilities (2010: Nil).

Significant Investment, Material Acquisitions and Disposals

The Distributed Businesses did not have any significant investments, material acquisitions or disposals for the year ended 31 March 2011.

Staff and Remuneration Policy

As at 31 March 2011, the Distributed Businesses had a total of 713 employees (2010: 779 employees). Staff cost for the year ended 31 March 2011 was approximately HK\$89.8 million, representing an increase of approximately 14.2% as compared to the financial year of 2010 of approximately HK\$78.6 million. The Distributed Businesses remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Distributed Businesses and individual employees.

Foreign Exchange Fluctuation and Hedge

The Distributed Businesses operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars, British Pounds, Euros and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the year, the Distributed Businesses entered into forward foreign currency contracts. The purpose is to manage the currency risks arising from the Distributed Businesses' operations.

As at 31 March 2011, no forward currency contract was designated as hedges (2010: Nil).

Future Plans for Material Investments and acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2011.

(C) RECONCILIATION STATEMENT

Set out below is the reconciliation statement of the consolidated results of the Group for the year ended 31 March 2011 and the consolidated statement of financial position of the Group as at 31 March 2011 contained in the accountants' report of the Company set out in Appendix II to this circular (the "Accountants' Report") to the audited financial statements of the Group for the year ended 31 March 2011 contained in the annual report of the Company for the year ended 31 March 2011 (the "2011 Annual Report"), prepared based on the statement of adjustments issued by BDO Limited, the reporting accountants of the Company in respect of the Accountants' Report:

	Profit attributable to owners of the Company for the year ended 31 March 2011 HK\$'000	Equity attributable to owners of the Company as at 31 March 2011 HK\$'000
Per audited financial statements in the 2011 Annual Report	7,613	275,326
Adjustment in respect of settlement of disputes on custom duty for shipments to the United States (<i>Note</i>)	<u>(16,187)</u>	<u>(16,187)</u>
Per Accountants' Report	<u><u>(8,574)</u></u>	<u><u>259,139</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 goods imported to the Group's wholly-owned subsidiary in the US from other group companies in prior years. In the 2011 Annual Report, this event was considered as contingent liability and disclosed in the notes to the financial statements, and based on the information in respect of those goods imported to the US subsidiary in prior years and after taking professional advice from the Group's US legal adviser, the Group made a provision of HK\$13,650,000 for the custom duty under-provided and related damages and penalties as at 31 March 2011. After continuous 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 reached in August 2011, which was subject to agreement on other terms of the settlement. Accordingly, the Group made an additional provision of HK\$16,187,000 for this dispute. Such additional provision is an obligation that arose from past events and therefore is recognised in the accountants' report in the form of statement of adjustment to the underlying financial statements of the Group for the year ended 31 March 2011.

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Remaining Group assuming completion of the Group Reorganisation and the Distribution In Specie. The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29(1) and Paragraph 14.68(2)(a)(ii) of the Listing Rules to illustrate the effect of the Group Reorganisation on the Remaining Group's financial information presented.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows (collectively referred to as the “Pro Forma Financial Information”) of the Remaining 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 consolidated 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 consolidated statement of comprehensive income and pro forma consolidated statement of cash flows.

This unaudited 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 the Group as at 31 March 2011 or at any future date or the results and cash flows of the Group for the year ended 31 March 2011 or for any future period.

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

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

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

	The Group as at 31 March 2011 HK\$'000	Pro forma adjustments								Pro forma the Remaining Group as at 31 March 2011 HK\$'000
		HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	
Non-current assets										
Property, plant and equipment	93,636	(78,446)				(597)				14,593
Associates	75,167	(75,167)								—
Other assets	2,161	(2,161)								—
	<u>170,964</u>									<u>14,593</u>
Current assets										
Inventories	359,810	(316,859)		(18,571)						24,380
Accounts receivable	132,988	(122,005)								10,983
Other receivables, deposits and prepayments	15,810	(10,410)								5,400
Amounts due from related parties	15,866	(15,866)								—
Amount due from Distributed Businesses	—	29,804	(3,601)	(1,800)	18,571	597	(27,144)	(16,427)		—
Cash at banks and in hand	14,303	(9,556)						16,427	(5,000)	16,174
	<u>538,777</u>									<u>56,937</u>
Current liabilities										
Borrowings	258,064	(244,698)								13,366
Accounts payable	112,794	(112,706)								88
Other payables and accrued charges	74,911	(67,526)	(3,573)							3,812
Amount due to a related party	389	(361)	(28)							—
Derivative financial instruments	31	(31)								—
Tax payables	3,396	(3,396)								—
	<u>449,585</u>									<u>17,266</u>
Net current assets	<u>89,192</u>									<u>39,671</u>
Total assets less current liabilities	260,156									54,264
Non-current liabilities										
Deferred tax liabilities	1,017	(724)								293
Net assets	<u>259,139</u>									<u>53,971</u>
Equity										
Share capital	2,717									2,717
Reserves	256,422	(171,224)		(1,800)			(27,144)		(5,000)	51,254
Total equity	<u>259,139</u>									<u>53,971</u>

Notes:

- (1) The adjustment, which is extracted from the note 41(c) to the Financial Information of the Group as set out in Appendix II, represents the exclusion of the assets and liabilities attributable to the Distributed 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 among the Remaining Group, Distributed Businesses and their related parties 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 issue of promissory note in amount of HK\$1,800,000 for internal transfer of the entire interest of Sinoble Jewelry Limited (“Sinoble HK”) from Noble Jewelry Limited (within the Distributed Businesses) to the Company. Sinoble HK forms part of the businesses which will be retained by the Remaining Group and therefore its net assets have been excluded from the assets and liabilities attributable to the Distributed Businesses.
- (4) The adjustment represents the transfer of inventories of the Retained Businesses held for retail to the Distributed Businesses at net carrying amount.
- (5) The adjustment represents the transfer of leasehold improvements of the 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 Distributed Businesses at net carrying amount.
- (6) The adjustment represents the issue of promissory note in amount of HK\$27,144,000 as capital consideration for the establishment of Privateco for the purpose of holding the Distributed Businesses.
- (7) The adjustment represents the cash settlement of the outstanding intra-group balances between the Remaining Group and Distributed Businesses upon the completion of the Group Reorganisation.
- (8) The adjustment represents the estimated legal and professional fees in relation to the Group Reorganisation and Distribution In Specie.
- (9) Except for the Group Reorganisation, no adjustment has been made to reflect any trading result or other transaction of the Group or the Distributed Businesses entered into subsequent to 31 March 2011.

*(II) Unaudited pro forma consolidated statement of comprehensive income of the
Remaining Group*

The unaudited pro forma consolidated statement of comprehensive income of the Remaining Group has been prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2011, which is extracted from the Accountants' Report 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 the Group for the year ended 31 March 2011	Pro forma adjustments			Pro forma results of the Remaining Group for the year ended 31 March 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 10)</i>	<i>(Note 11)</i>	<i>(Note 12)</i>	
Turnover	643,399	(585,324)	(12,074)		46,001
Cost of sales	<u>(491,673)</u>	440,704	10,744		<u>(40,225)</u>
Gross profit	151,726				5,776
Other revenue	7,941	(5,762)		(1,756)	423
Distribution costs	(43,587)	36,510	1,159	2,059	(3,859)
Administrative expenses	(119,973)	117,887	191	123	(1,772)
Other gains and losses	339	(453)			(114)
Finance costs	(6,473)	6,137	294		(42)
Share of profit of associates, net	<u>4,018</u>	(4,018)			<u>—</u>
(Loss)/profit before income tax	(6,009)				412
Income tax expense	<u>(4,405)</u>	4,405			<u>—</u>
(Loss)/profit for the year	<u>(10,414)</u>				<u>412</u>
Other comprehensive income					
Surplus on revaluation of leasehold land and buildings	6,837	(5,959)			878
Exchange differences on translating foreign operations	<u>2,597</u>	(1,142)			<u>1,455</u>
Other comprehensive income for the year, net of tax	<u>9,434</u>				<u>2,333</u>
Total comprehensive income for the year	<u><u>(980)</u></u>				<u><u>2,745</u></u>

Notes:

- (10) The adjustment, which is extracted from the note 41(c) to the Financial Information of the Group as set out in Appendix II, represents the exclusion of the income and expenses attributable to the Distributed 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, which is extracted from the note 41(d) to the Financial Information of the Group as set out in Appendix II, represents the exclusion of the income and expenses attributable to the jewelry retail business in the PRC, assuming the PRC jewelry retail business as specified in the Group Reorganisation had been terminated at the commencement of the year ended 31 March 2011.
- (12) The adjustment represents the exclusion of the rental income and expenses attributable to the portion of B3 which had been terminated and would not be used by the Remaining Group pursuant to the Group Reorganisation at the commencement of the year ended 31 March 2011.
- (13) No gain or loss is expected to recognise by the Remaining Group as a result of completion of the Distribution In Specie.

(III) Unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of cash flows of the Remaining Group has been prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2011, which is extracted from the Accountants' Report 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 the Group for the year ended 31 March 2011		Pro forma adjustments					Pro forma cash flows of the Remaining Group for the year ended 31 March 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Note 13)	(Note 14)	(Note 15)	(Note 16)	(Note 17)		
Cash flows from operating activities								
(Loss)/profit before income tax	(6,009)	5,681		314	426		412	
Adjustment for:								
Share of results of associates, net	(4,018)	4,018					—	
Depreciation of property, plant and equipment	10,422	(8,710)					1,712	
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	<u>4,878</u>	(4,550)		(294)			<u>34</u>	
Operating cash flows before working capital	6,368						2,158	
Increase in inventories	(96,763)	86,003		632			(10,128)	
Increase in accounts receivables	(30,500)	26,519		3,679			(302)	
Decrease in other receivables, deposits and prepayments	12,993	(10,959)					2,034	
Decrease in amounts due from related parties	4,881	(8,307)					(3,426)	
Increase in accounts payable	444	(1,301)					(857)	
Increase in other payables and accrued charges	29,275	(27,849)	(3,573)				(2,147)	
Increase in amount due to Distributed Businesses	—	5,439	2,334			(11,706)	(3,933)	
(Decrease)/increase in amounts due to related parties	(677)	3,517	(2,693)				147	
Effect of change in foreign exchange rate	<u>2,795</u>	(2,620)					<u>175</u>	

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	Audited cash flows of the Group for the year ended 31 March 2011		Pro forma adjustments					Pro forma cash flows of the Remaining Group for the year ended 31 March 2011
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
		(Note 13)	(Note 14)	(Note 15)	(Note 16)	(Note 17)		
Cash used in operations	(71,184)						(16,279)	
Income tax paid	(2,381)	2,381					—	
Interest element of finance lease payments	(1)	1					—	
Interest paid	(4,877)	4,549		294			(34)	
Net cash used in operating activities	<u>(78,443)</u>						<u>(16,313)</u>	
Cash flows from investing activities								
Proceeds from disposal of property, plant and equipment	106	(8)					98	
Payments to acquire property, plant and equipment	(41,855)	40,384					(1,471)	
Capital contribution from non-controlling shareholders	1,029	(1,029)					—	
Interest received	449	(449)					—	
Acquisition of associates, net cash acquisition	(8,619)	8,619					—	
Net cash used in investing activities	<u>(48,890)</u>						<u>(1,373)</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	(36,140)					13,366	
Repayment of bank loans	(10,191)	10,191					—	
Contribution from Remaining Group	—	(3,932)	3,932				—	
Net cash generated from financing activities	<u>108,922</u>						<u>13,366</u>	
Net (decrease)/increase in cash and cash equivalents	(18,411)						(4,320)	
Effect of change in foreign exchange rate	320	(165)					155	
Cash and cash equivalents at beginning of year	<u>27,452</u>	(25,195)				17,236	<u>19,493</u>	
Cash and cash equivalents at end of year	<u>9,361</u>						<u>15,328</u>	

Notes:

- (13) The adjustment, which is extracted from the note 41(c) to the Financial Information of the Group as set out in Appendix II, represents the exclusion of the cash flows attributable to the Disposal Group, assuming the Group Reorganisation and Distribution In Specie had been taken place at the commencement of the year ended 31 March 2011.
- (14) The adjustment represents the reinstatement of the cash flows among the Remaining Group, Distributed 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.
- (15) The adjustment, which is extracted from the note 41(d) to the Financial Information of the Group as set out in Appendix II, represents the exclusion of the cash flows attributable to the jewelry retail business in the PRC, assuming the PRC jewelry retail business as specified in the Group Reorganisation had been terminated at the commencement of the year ended 31 March 2011.
- (16) The adjustment represents the exclusion of the cash flows attributable to the portion of B3 which will not be leased and used by the Remaining Group pursuant to the Group Reorganisation at the commencement of the year ended 31 March 2011.
- (17) The adjustment represents (i) the cash settlement of the outstanding intra-group balances of HK\$33,207,000 between the Remaining Group and Distributed Businesses as at 31 March 2010, after taking into consideration the transfer of inventories and leasehold improvements of the Retained Business to the Distributed Business with carrying amounts of HK\$17,939,000 and HK\$34,000 respectively at 31 March 2010 and issue of promissory notes of HK\$1,800,000 and HK\$27,144,000 for internal transfer of Sinoble HK and establishment of Privateco respectively; (ii) reversal of cash movements between the Remaining Group and Distributed Businesses during the year ended 31 March 2011, except for the contribution to the Distributed Businesses by the Remaining Group; and (iii) payment of estimated legal and professional fees of HK\$5,000,000 in relation to the Group Reorganisation and Distribution In Specie, 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 the report, which is 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 GROUP****To the Board of Directors of Noble Jewelry Holdings Limited**

We report on the unaudited pro forma financial information of Noble Jewelry Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to the "Group"), comprising unaudited pro forma consolidated statement of financial position as at 31 March 2011, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2011, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Group Reorganisation and Distribution In Specie (the Group excluding the Distributed Businesses hereinafter referred to as the "Remaining Group") might have affected the financial information presented, for inclusion in Appendix V 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 V-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 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 the Group as at 31 March 2011 or any future date; or
- the results and cash flows of the 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 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.

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Privateco Group assuming completion of the Group Reorganisation and the Distribution In Specie. The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29(1) of the Listing Rules to illustrate the effect of the Group Reorganisation on the Privateco Group's financial information presented.

(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 III, 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 HK\$'000	Pro forma adjustments							Pro forma Remaining Privateco Group as at 31 March 2011 HK\$'000
		HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'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							Pro forma	
	Group as at							Remaining	
	31 March							Privateco Group	
	2011							as at 31 March	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	2011
Equity									
Share capital	156								156
Reserves	<u>176,819</u>	(5,751)		1,800			27,144		<u>200,012</u>
Total equity	<u><u>176,975</u></u>								<u><u>200,168</u></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 III, 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 III, 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 2010
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note 9)</i>	<i>HK\$'000</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><u>(426)</u></u>		<u><u>(2,985)</u></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 III, 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 III, 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
		(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				Pro forma adjustments				Pro forma cash flows of Remaining Privateco Group for the year ended
	31 March 2011				31 March 2011				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	(4,877)	328						(4,549)	
Net cash used in operating activities	(78,442)							(61,012)	
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	(8,619)							(8,619)	
Net cash used in investing activities	(48,890)							(47,517)	
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	—		3,932					3,932	
Net cash generated from financing activities	108,922							99,488	
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	27,322	(2,126)					(22,236)	2,960	
Cash and cash equivalents at end of year	9,232							(5,916)	

Notes:

- (10) The adjustment, which is extracted from the note 36(c) to the Financial Information of Privateco Group as set out in Appendix III, 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 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.

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) which will be adopted on or before completion of the Group Reorganisation and of certain aspects of Bermuda company law.

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 Bye-laws will be adopted on or before completion of the Group Reorganisation. 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 VIII. 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 STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Information and confirmation relating to Resources Rich, First Prospect, the Listco Offers and the Privateco Offer set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 August 2011, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had borrowings of approximately HK\$293.1 million in which (i) HK\$260.1 million borrowings were unsecured and cross guaranteed from the Company and certain of its subsidiaries within the Group; and (ii) HK\$33.0 million borrowings were secured by the pledge of the Group's leasehold land and buildings with carrying amounts of HK\$37.9 million, the pledge of a bank deposit of HK\$24,000 and cross guarantees from the Company and certain of its subsidiaries within the Group.

As at 31 August 2011, the 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 Group's total future minimum lease payments under non-cancelable operating leases in respect of rented office premises, warehouses and retail outlets amounted to approximately HK\$23.2 million.

Contingent liabilities

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 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.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, and barring any unforeseen circumstances, the Group will have sufficient working capital for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the accountants' report of the Company in Appendix II to this circular were made up.

5. SHARE CAPITAL

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

	<i>HK\$'000</i>
Authorised share capital:	
10,000,000,000 Shares of HK\$0.01 each	100,000
Issued and fully paid up:	
273,610,000 Shares of HK\$0.01 each	2,736

All issued Shares rank equally in all respect, including in particular as to dividend, voting rights and return on capital.

The Shares are listed and traded on the main board of the Stock Exchange. None of the Shares is listed, or dealt in, on other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

6. SHARE OPTIONS

As at the Latest Practicable Date, save for the outstanding Share Options, which confer the rights to the holder of the Share Options to subscribe for an aggregate of 200,000 Option Shares at HK\$1.27 per Option Share, the Company had no other options, warrants and conversion rights convertible into the Shares.

7. DISCLOSURE OF INTEREST

(a) Directors' and chief executives' interest or short positions in the Shares, underlying shares and debentures of the Company and associated corporation

As at the Latest Practicable Date, the interest of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out as follows:

Long Positions

Name of Director	Capacity	Number of issued Shares held (including underlying Shares) <i>(Note 1)</i>	Percentage of the issued ordinary share capital of the Company <i>(Note 5)</i>
Mr. Chan	<i>(Note 2)</i>	173,102,000	63.27%
Mr. Tang Chee Kwong	<i>(Note 3)</i>	5,202,000	1.90%
Ms. Chan Lai Yung	<i>(Note 4)</i>	3,238,000	1.18%
Mr. Lai Wang	Beneficial owner	100,000	0.04%
Mr. Tsang Wing Ki	Beneficial owner	310,000	0.11%

Notes:

- (1) The Share Options granted by the Company to the Director which are outstanding have been included in the long positions of the Director.
- (2) Mr. Chan had a direct interest of 200,000 Shares which are outstanding Share Options granted by the Company to subscribe for 200,000 Option Shares at exercise price of HK\$1.27 per Option Share, a deemed interest of 2,000 Shares and 172,900,000 Shares held by his spouse, Ms. Chiu and First Prospect respectively pursuant to the SFO.
- (3) Mr. Tang Chee Kwong had a direct interest of 4,702,000 Shares and a deemed interest of 500,000 Shares held by his spouse, Ms. Lee Yuen Kee pursuant to the SFO.

- (4) Ms. Chan Lai Yung had a direct interest of 3,236,000 Shares and a deemed interest of 2,000 Shares held by her spouse, Mr. Kok Sui Sing pursuant to the SFO.
- (5) The percentage is calculated based on the number of Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no interest and short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were held by any Director or chief executive of the Company which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short positions in the Shares

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Capacity	Number of issued Shares	Percentage of the issued share capital of the Company (Note 8)
First Prospect	(Note 1)	172,900,000	63.19%
Ms. Chiu	(Note 1)	173,102,000	63.27%
Mr. Yau	(Note 2)	24,240,000	8.86%
Resources Rich (Note 3)	Beneficial owner	24,242,000	8.86%
	Person having security interest	172,900,000	63.19%
Hu Yishi	Interest in controlled corporation (Note 4)	197,142,000	72.05%
Lin Min	Interest of spouse (Note 5)	197,142,000	72.05%
Hu Yangjun	Interest in controlled corporation (Note 6)	197,142,000	72.05%
Zhang Qi	Interest of spouse (Note 7)	197,142,000	72.05%

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 Shares in which First Prospect is interested by virtue of the SFO. Ms. Chiu, the spouse of Mr. Chan, is interested in 2,000 Shares and is deemed to be interested in the 173,100,000 Shares in which Mr. Chan is interested pursuant to the SFO.
- (2) Mr. Yau had a direct interest of 15,782,000 Shares and a deemed interest of 8,458,000 Shares held by Barton, a company wholly-owned by Mr. Yau, within the meaning of the SFO.
- (3) Pursuant to the Share Sale Agreement, Resources Rich agreed to acquire an aggregate of 197,142,000 Shares from the Vendors, of which 172,900,000 Shares have been charged by First Prospect in favour of Resources Rich under the Share Charge. As at the Latest Practicable Date, the Share Sale Agreement had not been completed.
- (4) Resources Rich is owned as to 50% by Hu Yishi and 50% by Hu Yangjun. Accordingly, Hu Yishi is deemed to be interested in the 197,142,000 Shares interested by Resources Rich pursuant to the SFO.
- (5) Lin Min is the spouse of Hu Yishi. Accordingly, she is deemed to be interested in the 197,142,000 Shares which Hu Yishi is interested pursuant to the SFO.
- (6) Resources Rich is owned as to 50% by Hu Yishi and 50% by Hu Yangjin. Accordingly, Hu Yangjun is deemed to be interested in the 197,142,000 Shares interested by Resources Rich pursuant to the SFO.
- (7) Zhang Qi is the spouse of Hu Yangjun. Accordingly, she is deemed to be interested in the 197,142,000 Shares which Hu Yangjun is interested pursuant to the SFO.
- (8) The percentage is calculated based on the number of Shares in issue as at the Latest Practicable Date.

(ii) Substantial shareholders of other member of the Group

Name of entities holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
Proycoben, S.A.	25%	Noblediam S. L.
Party Time Limited	32.67%	G. P. Wedding Etiquette Services Limited
Ms. Njotowidjojo Peggy	50%	Pesona Noble Jewelry Limited
Ms. Njotowidjojo Peggy	50%	Pesona Noble (BVI) Limited
濟南中金嘉禾珠寶有限公司 (translated as Jinan Zhongjin Jiahe Jewelry Limited)	70%	山東嘉億珠寶有限公司 (translated as Shangdong Jiayi Jewelry Limited)
劉強 (Mr. Liu Qiang)	49%	廣州穗富珠寶有限公司 (translated as Guangzhou Huifu Jewelry Limited)
上海城隍珠寶有限公司 (translated as Shanghai Chenghuang Jewelry Limited)	34%	杭州城隍珠寶有限公司 (translated as Hangzhou Chenghuang Jewelry Limited)
浙江廣田實業有限公司 (translated as Zhejiang Guangtian Industrial Co., Ltd.)	33%	杭州城隍珠寶有限公司 (translated as Hangzhou Chenghuang Jewelry Limited)

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or who had any options in respect of such capital.

8. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had since 31 March 2011 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or was proposed to be acquired or disposed of by or leased to any members of the Group.

9. DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save and except for the lease agreement dated 15 July 2010 between Guangzhou Sinoble and a company beneficially wholly owned by Mr. Chan as disclosed in the section headed "E. Special Deals/Except Continuing Connected Transactions" and the Dormitory Lease Agreement, none of the Directors was materially interested, directly or indirectly, in any contracts or arrangements entered into by any members of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. LITIGATION

Reference is made to a dispute with the US Customs Services in relation to customs duties payable for purchases from certain of the Company's wholly-owned subsidiaries, as disclosed in the annual report 2011 of the Company (note 32 to the financial statements of the Company) and the announcement of the Company 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 Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

11. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which 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 Company's certain wholly-owned subsidiaries 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 the Company 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 the Company, (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 HK\$6,549,000;
- (d) the agreement dated 3 June 2011 entered into by Guangzhou Yizuan, a wholly-owned subsidiary of the Company, (as the vendor) with 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 the Company dated 3 June 2011;
- (e) the loan agreement dated 28 September 2010 entered into between Noble Jewelry Limited, a wholly-owned subsidiary of the Company, (as the lender) and G. P. Wedding Etiquette Services Limited, a then 51%-owned subsidiary of the Company, (as the borrower) in respect of a loan of HK\$5,700,000, details of which are set out in the announcement of the Company dated 28 September 2010;
- (f) the provisional agreement dated 12 August 2010 entered into between Noble Jewelry Limited, a wholly-owned subsidiary of the Company, (as the purchaser) and an independent third party of the Company (as the vendor) in relation to the sale and purchase of a property situated at Hok Yuen Street, Kowloon, Hong Kong, 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 Noble Jewelry Limited, a wholly-owned subsidiary of the Company, 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 the Company, details of which are set out in the announcement of the Company dated 10 May 2010.

12. QUALIFICATION AND CONSENTS OF EXPERTS

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Messis Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Veda Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Conyers Dill & Pearman

Bermuda legal advisers

BDO Limited

Certified Public Accountants

- (b) As at the Latest Practicable Date, each of Messis Capital Limited, Veda Capital Limited, Conyers Dill & Pearman and BDO Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.
- (c) Each of Messis Capital Limited, Veda Capital Limited, Conyers Dill & Pearman and BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, each of Messis Capital Limited, Veda Capital Limited, Conyers Dill & Pearman and BDO Limited did not have any interest, direct or indirect, in any assets which have been, since 31 March 2011, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

13. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

14. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

15. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Flat M, 12/F, Phase 3, Kaiser Estate, 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (d) The company secretary of the Company is Mr. Sin Lap Poon, who is an associate member of the Hong Kong institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Flat 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, from the date of this circular up to and including the date of the EGM:

- a) the memorandum and articles of association of the Company;
- b) the annual reports of the Company for the two financial years ended 31 March 2011;
- c) the form of the Bye-laws of the Privateco to be adopted on or before completion of the Group Reorganisation;
- d) the letter from the Board, the text of which is set out on pages 8 to 42 of this circular;
- e) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;
- f) the letter of advice from the Joint Independent Financial Advisers, the text of which is set out in this circular;
- g) the letter from Conyers Dill & Pearman as referred to in Appendix VII to this circular summarising certain provisions of the memorandum of association and bye-laws of the Privateco and certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;
- h) the written consents of the experts referred to in the section headed "Qualification and consents of experts" in this appendix;
- i) the material contracts referred to in the section headed "Material contracts" in this appendix;
- j) the accountants' report on the Company for the three financial years ended 31 March 2011, the texts of which are set out in Appendix II to this circular;
- k) the accountants' report on Privateco for the three financial years ended 31 March 2011, the texts of which are set out in Appendix III to this circular;

- l) the accountants' report on unaudited pro forma financial information of the Remaining Group, the texts of which are set out in Appendix V to this circular;
- m) the accountants' report on unaudited pro forma financial information on the Privateco Group, the texts of which are set out in Appendix VI to this circular;
- n) the statement of adjustments dated 30 September 2011 in respect of the audited consolidated financial statements of the Company for the year ended 31 March 2011 stated in the annual report of the Company for the year ended 31 March 2011; and
- o) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOBLE JEWELRY HOLDINGS LIMITED 億 鑽 珠 寶 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00475)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Noble Jewelry Holdings Limited (the “**Company**”) will be held at 4:00 p.m. on 20 October 2011 at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company (with or without amendments):

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) (i) the directors of the Company (“**Directors**”) be and are hereby authorised to apply the entire amount standing to the credit of the share premium account (the “**Share Premium Account**”) of the Company from time to time and the reserve accounts of the Company (the “**Share Premium and Reserve Application**”) for the implementation of the Distribution In Specie (as defined below); and
- (ii) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Share Premium and Reserve Application or any of the transactions contemplated thereunder;
- (b) subject to the completion of the agreement dated 7 September 2011 entered into among First Prospect Holdings Limited, Barton Company Limited, Ms. Chiu Nga Fong Marisa, Mr. Yau Siu Ying John (collectively as vendors), Resources Rich Capital Limited (as purchaser) and Mr. Chan Yuen Hing (as guarantor to First Prospect Holdings Limited and Ms. Chiu Nga Fong) (the “**Agreement**”) a copy of which agreement having been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification), the distribution in specie in the following manner (the “**Distribution In Specie**”) be and is hereby approved:
 - (i) subject to (ii) below, the ordinary shares of HK\$0.01 each in the capital of Noble Jewelry Investment Limited (“**Privateco Shares**”) held by the Company will be distributed to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the

NOTICE OF EXTRAORDINARY GENERAL MEETING

close of business of a record date (the “**Record Date**”) as determined by the Directors, which shall be a date falling before the date of completion of the Agreement, on a one-for-one basis (i.e. one Privateco Share for one Share held by such Shareholders) by a distribution from the Share Premium Account and the reserve accounts of the Company and the amount to be distributed will be equivalent to the carrying value of the Privateco and its subsidiaries, it being noted that the Directors have determined that the Company will be able to pay its debts as they fall due in the ordinary course of its business immediately following the date on which the Distribution In Specie is implemented;

- (ii) for those overseas shareholders of the Company whose names appear on the register of members of the Company as at the close of business of the Record Date but to whom the Directors, based on enquiries made with its lawyers, considers it necessary or expedient not to offer the Privateco Shares to them under the Distribution in Specie, a trustee in Hong Kong be authorised by the Directors to hold such Privateco Shares on trust for such overseas Shareholders and to sell such Privateco Shares at his absolute discretion for the benefits and accounts of such overseas Shareholders; and
- (iii) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Distribution In Specie or any of the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the transactions contemplated under the lease agreement to be entered into between 廣州億恆珠寶有限公司 (translated as Guangzhou Sinoble Jewelry Limited) and 伊泰蓮娜(廣州)首飾有限公司 (translated as Italina (Guangzhou) Jewelry Co., Ltd.) (“Italina”) (the “**Guangzhou Sinoble Lease Agreement**”, a copy of which having been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) in respect of certain premises with a construction area of 370 square metres situated at Zone A on the first floor, Block 13, Shawan Jewelry Industry Park, 999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, People’s Republic of China for a term from 1 September 2011 to 30 April 2021 (both days inclusive) at the initial rent of RMB15 per square metre be and are hereby approved;
- (b) the transactions contemplated under the lease agreement to be entered into between 廣州市億鑽珠寶有限公司 (translated as Guangzhou Yizuan Jewelry Co., Ltd.) and Italina (the “**Guangzhou Yizuan Lease Agreement**”, a copy of which having been produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) in respect of certain premises with a construction area of 8,066.2 square metres situated at Zone B on the first floor and the second, third and fourth floors, Block 13, Shawan Jewelry Industry Park,

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999 Fu Long Road, Shawan Town, Pan Yu, Guangzhou, People's Republic of China for a term from 1 September 2011 to 30 April 2021 (both days inclusive) at the initial rent of RMB15 per square metre be and are hereby approved; and

- (c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Guangzhou Sinoble Lease Agreement and Guangzhou Yizuan Lease Agreement (including but not limited to entering into any supplemental or variation agreement thereto) or any of the transactions contemplated thereunder.”

By Order of the Board
Sin Lap Poon
Company Secretary

Hong Kong, 30 September 2011

Head Office and Principal Place of Business in Hong Kong:

Flat M, 12/F., Phase 3

Kaiser Estate

11 Hok Yuen Street

Hung Hom, Kowloon, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. The instrument appointing a proxy and (if required by the board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Hong Kong branch share registrar and transfer office of the Company, TRICOR INVESTOR SERVICES LIMITED at 26th

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Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the executive directors of the Company are Mr. Chan Yuen Hing, Mr. Tang Chee Kwong, Ms. Chan Lai Yung, Mr. Lai Wang, Mr. Setiawan Tan Budi and Mr. Tsang Wing Ki, the independent non-executive directors are Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang.