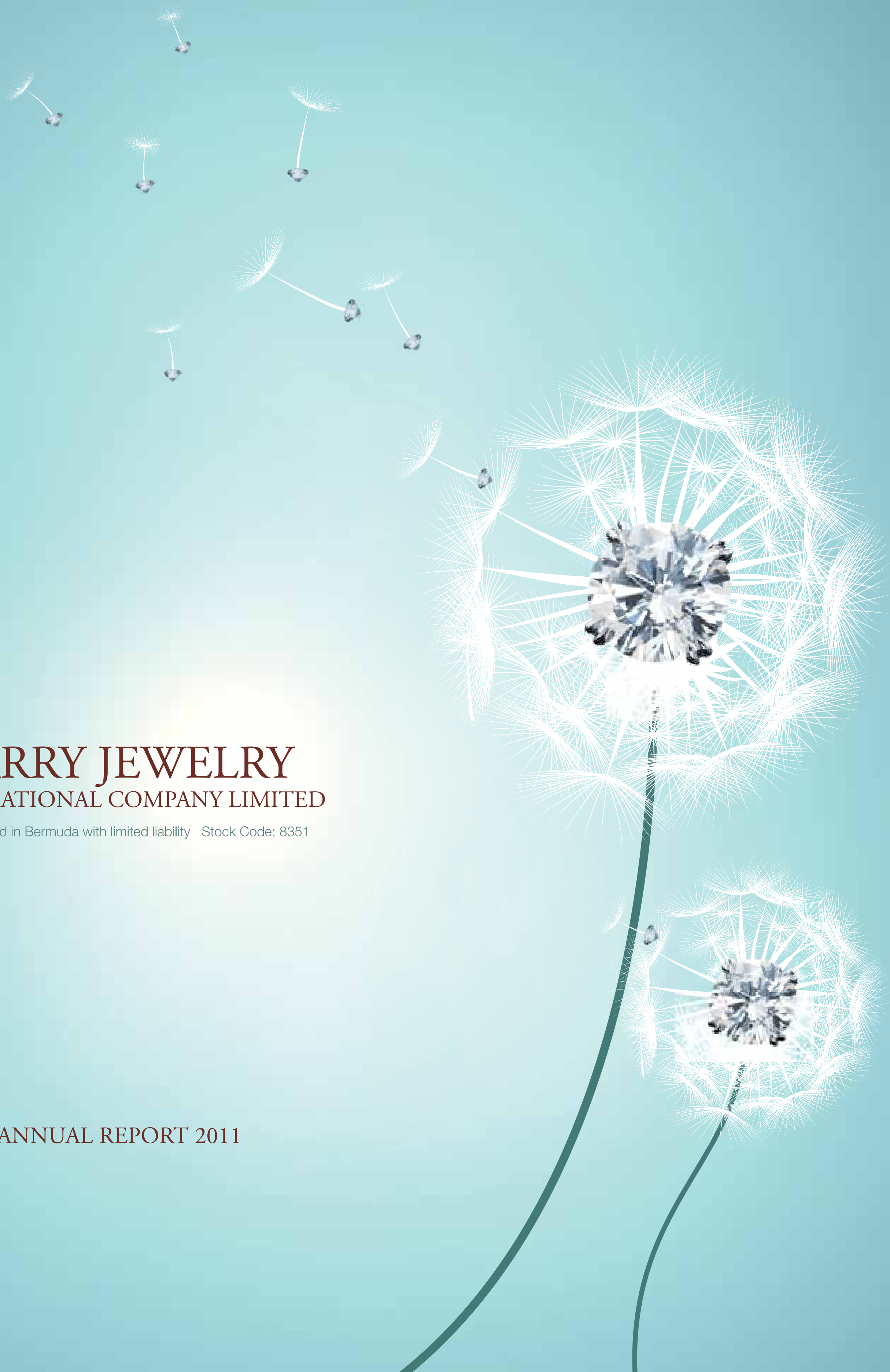

LARRY JEWELRY
INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability Stock Code: 8351

ANNUAL REPORT 2011

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This report, for which the directors of Larry Jewelry International Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Eternite International Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A Legend of Fine Jewelries


LARRY JEWELRY
俊文寶石店

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. Tsang Po Yee Pauline

Non-executive Directors
Mr. Chan Man Fai Joe *(Chairman)*
Mr. Tam B Ray Billy
Mr. Lam Kin Kok

Independent non-executive Directors
Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Wong Tat Tung

COMPANY SECRETARY
Ms. Tsang Po Yee Pauline

AUTHORIZED REPRESENTATIVE
Ms. Tsang Po Yee Pauline

AUDIT COMMITTEE
Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

REMUNERATION COMMITTEE
Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

NOMINATION COMMITTEE
Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

AUDITOR
BDO Limited

SOLICITORS
Vincent T.K. Cheung, Yap & Co.

COMPLIANCE ADVISER
Cinda International Capital Limited

PRINCIPAL BANKER
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Limited

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton HM11 Bermuda

PLACE OF BUSINESS
Units 01-02, 5th Floor
Soundwill Plaza, 38 Russell Street
Causeway Bay, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE
8351

WEBSITE
www.larryjewelryinternational.com

FIVE YEAR FINANCIAL SUMMARY

The financial year end date of Larry Jewelry International Company Limited has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2011. Accordingly, the current financial period covers the nine months period from 1 April 2011 to 31 December 2011. Attention should be drawn to the fact that the comparative figures presented herein are for the twelve months period ended 31 March of the relevant financial years. The difference in duration of the financial periods should be considered when making year-on-year comparisons.

	Nine months ended 31 December		Year ended 31 March		
	2011	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**203,983**	48,650	47,237	44,575	43,988
Gross profit	**35,238**	13,323	19,119	16,373	15,297
(Loss)/Profit before income tax	**(75,565)**	(18,426)	10,028	11,548	10,686
(Loss)/Profit attributable to the owners of the Company	**(74,479)**	(19,362)	7,942	9,678	8,854
Basic (loss)/earnings per share (HK cents)	**(9.60)**	(3.01) (Restated)	1.76	3.02	2.77

			As at 31 March		
	31 December 2011	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**141,050**	1,981	1,171	51	12
Current assets	**473,294**	118,831	55,104	29,479	34,195
Current liabilities	**359,292**	4,496	6,328	22,993	30,349
Net assets	**193,229**	116,316	49,947	6,537	3,858

Notes:

1. The results for the years ended 31 March 2008 and 2009 were extracted from the Prospectus of the Company dated 29 September 2009. The earnings per share for the two years were computed based on 320,000,000 ordinary shares that would have been in issue throughout the two years on the assumption that the Reorganisation has been completed as at 1 April 2007.

2. Non-current assets, current assets, current liabilities and net assets of the Group as at 31 March 2008 and 2009 were extracted from the Prospectus of the Company dated 29 September 2009.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors (the "Board") of Larry Jewelry International Company Limited (the "Company"), it is my pleasure to present the 2011 Annual Report of the Company and its subsidiaries (collectively referred to as the "Group") for the 9 months ended 31 December 2011, and to give an overview of the Group's strategy and business outlook.

OUR STRATEGY – EXPANSION FROM WHOLESALING TO RETAILING

During 2011, the Group has been peppered with some remarkable moves. In July, we took another step towards our goal of becoming Asia's most recognized jewelry brand. We acquired full ownership of Sharp Wonder Holdings Limited ("Sharp Wonder"), which operates retail shops under the "Larry Jewelry" brand at premium locations in Hong Kong and Singapore, marking the beginning of a new chapter of the Group to create synergy between the listing platform and the long heritage. In December, the Group has changed its name from "Eternite International Company Limited" to "Larry Jewelry International Company Limited" as to reflect its expansion into a high-end jewelry retailer.

True to its long history of 45 years, Larry Jewelry is capable of extraordinary craftsmanship and authentic quality. Over the past few months, the Group enjoyed substantial growth through the business expansion into high-end jewelry of exquisite taste to our clientele in Asia. The opening of the new Larry Jewelry shop in Causeway Bay, Hong Kong, was another highlight of the Period, an outstanding achievement which has enhanced both the appeal of the "Larry Jewelry" brand and the reputation of the Group as a whole.

Striving for excellence in design and craftsmanship, Larry Jewelry is long-established as one of the most prestige retailers in high-end jewelry and has won numerous international and national awards. With its long term partnership with Lazare Diamonds® in Singapore for over 30 years, the Group successfully extended the partnership into Hong Kong, becoming the distributor of Lazare Diamonds® in 2012. In addition to our existing portfolio of Forevermark® and our very self-owned Larry Premium Diamond, the distributorship further enhances our product brands portfolio with the World's Most Beautiful Diamond®, showing our commitment to bringing in the world's high quality jewelry for our customers. Riding on the distinguished performance and experience, we are set to boost Larry Jewelry's trade and fame to the top line in Asia.

OUR PEOPLE – A HUB FOR TALENTS

Over and above the noteworthy achievements contributed by experts of our operations in Hong Kong and Singapore, a new force brought to the Group the freshness of innovative ideas to further strengthen our complementary mix of skills, expertise and experience. During the Period, we have added a few new talents to our team who are seasoned in areas of marketing, finance, and other fields. Benefitting from our hands-on culture established, the management team enables the Group to make decisions and allocate resources quickly to seize any opportunities.

Making the most of improved performance in the retail business, our team successfully managed to record a significant increase in operating profit of Sharp Wonder in 2011 of approximately 55% in comparison to 2010, driven by improvements in our sales efficiency.

Our success is not without recognition. During the Period, the Company has successfully raised funding through placing of securities to existing and new investors. This fully demonstrated their confidence in the potential growth of the high-end jewelry sector and the leadership of the Group. With their supports, the Group is well-equipped to grasp any upcoming opportunities in the China retail market, aiming to further consolidate "Larry Jewelry" as one of the top prestige Asian brands.

OUR FUTURE – BUILD A PRESTIGE ASIAN BRAND

2012 sees great opportunity for the Group's further expansion. As we plan for our next move, the Group will gradually shift our focus to retail business; and one thing for sure, the Group is adhered to the heritage of Larry Jewelry in exquisite craftsmanship and distinguished design. We believe that providing our customers with high-quality, hand-finished jewelry – made from precious materials, blending our classic design with modern elements, is the best way to keep our cherished customers satisfied.

The key drivers of our strategy will continue to be innovation in our design and expansion of brand publicity in Asia. While delivering growth from our existing products and markets, our team is ready to take action to increase our market share in luxury products sector by enriching our products portfolio and entering the Greater China market through different strategic partnerships.

Larry Jewelry, the retail segment itself, will celebrate its 45th anniversary. It will be a great opportunity to celebrate our unmatched heritage with the new look brought to the customers by our team. We are looking forward to providing a new, luxurious journey for our customers while maximizing the brand value for our investors.

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, customers, suppliers, bankers and other business associates for their long-term support; and also every director, management team and all staff for their effort paid last year.

Also, I wish to thank the Board for their trust and support. I will continue to lead the Board and the management team in future to maintain the Group's value of proactivity and innovative development, pursuit of sustainable and steady growth in scale and efficiency. Efforts will be made to open a new chapter of the Group and create sound return to our shareholders and staff.

Chan Man Fai Joe
Chairman and Non-executive Director

Hong Kong, 27 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in design, sale and retail of jewelry products. Our customers ranges from wholesales around the world to individuals who have distinct taste for jeweleries. Our products are unique in representing art, design and culture. The Group's mission is to introduce the finest, upscaled jewelry to customers worldwide, maintaining the essence of both traditional and innovative design coupled with superb handcraft and quality with the latest technology.

BUSINESS REVIEW

2011 marked a major milestone for the Group to establish its foothold in the retail industry. During the period, Larry Jewelry illustrated its uniqueness in the luxury retail market. After the acquisition of Sharp Wonder in July 2011, the management team successfully boosted the sales efficiency, enhancing the same-store sales and driving up the gross profit margin of the Group. The Group continued to expand its retail network in Hong Kong by setting up the fourth store in Causeway Bay. We also extended its long-term partnership with Lazare Diamonds® into Hong Kong market.

In an unfavorable economic context in Europe and North America, the Group's wholly owned wholesale subsidiary, Eternity Jewelry Company Limited ("Eternity"), has been seriously affected. In view of this, our marketing team has strived hard to maintain existing clients while exploring new opportunities, keeping the influence as low as possible.

FINANCIAL REVIEW

Revenue

With the addition of the new business units, the Group's revenue for the nine months ended 31 December 2011 increased to approximately HK$203,983,000 compared to approximately HK$48,650,000 for the last financial year, an increase of approximately 319.3%. This is mainly due to the contribution of Larry Jewelry which has been performing in line with expectations. However, revenue generated from the Group's wholesale business reduced to approximately HK$11,252,000 compared to approximately HK$47,517,000 for the last financial year, an decrease of approximately 76.3%. This is mainly due to the slow recovery and volatility of the markets in Europe and the United States.

Gross profit

The gross margin of the Group as reported in the consolidated income statement was 17.3%. This is due to the fact that in accordance with accounting standards, the inventories of Sharp Wonder Holdings Limited as at 19 July 2011 were revalued at the fair market value, representing a 17.9% increase over their historical costs. If all the Group's inventories were recorded based on historical cost levels, the adjusted gross margin of the Sharp Wonder would be 31.5%. As Sharp Wonder Holdings Limited has an inventory turnover of approximately one year, the decrease in gross margins due to the captioned fair market revaluation of inventories as at 19 July 2011 would continue to have an impact on the Group's consolidated results in the first half of 2012. As at 31 December 2011, the inventories included an upward fair value adjustment of approximately HK$21,296,000 for the inventories acquired through acquisition of Sharp Wonder Holdings Limited which were revalued to reflect the fair market value on the acquisition date.

Other income

The Group's other income for the nine months ended 31 December 2011 decreased by approximately 3.9% to HK$467,000 compared to approximately HK$486,000 for the last financial year. The decrease was mainly because the other income for the last financial year included a gain on disposal of moulds which were no longer in use since September 2010.

Distribution costs

Distribution costs of the Group for the nine months ended 31 December 2011 increased to approximately HK$34,927,000 compared to approximately HK$3,882,000 compared to the last financial year, representing an increase of 799.7%. The increase was mainly attributed to the operating costs of the retail operations acquired during the reporting period and the marketing expense for promoting the brands.

Administrative expenses

The Group's administrative expenses for the nine months ended 31 December 2011 increased by 108.1% to approximately HK$58,969,000 compared to approximately HK$28,337,000 for the last financial year. The increase reflected the Group's increase in the scale of the operation through acquisitions, opening of new stores as well as cost for completing the acquisitions and capital raising exercises.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company was HK$74,479,000 for the nine months ended 31 December 2011 compared to loss of HK$19,362,000 for the last financial year. The deterioration was mainly attributed to the poor performance of the wholesale business and increased costs associated with the corporate activities completed during the reporting period. Furthermore, as mentioned in above gross profit section, the reported cost of sales has included the effect of the fair market revaluation of the inventories of Larry Jewelry on 19 July 2011.

Liquidity and financial resources

The current ratio of the Group as at 31 December 2011 was 1.3 times compared with 26.4 times as at 31 March 2011 mainly resulting from increase in short term borrowings of the Group.

As at 31 December 2011, the Group had aggregate cash and bank balances and bank time deposits of approximately HK$123.3 million (31 March 2011: HK$66.4 million) and total borrowings amounted to approximately HK$322.0 million (31 March 2011: Nil). Total net borrowings were HK$198.7 million (31 March 2011: Nil). Net gearing ratio increased from zero as at 31 March 2011 to 102.8% as at 31 December 2011.

The maturity of the borrowings of the Group as at 31 December 2011 is set out as follows:

Principal Amount of the Borrowings	HK$000
Borrowings from other financial institutions	
Within 1 year	125,000
Promissory notes	
Within 1 year	150,000
Convertible notes	
Between 2 and 5 years	56,000

The Group has completed a series of capital raising exercises during the reporting period to strengthen its financial position. For details, please refer to the "Capital Structure" section and "Events after the reporting date" section below. Management is in ongoing discussions with financial institutions to further enhance its financial resources.

CAPITAL STRUCTURE

Details of the movements in share capital of the Company are set out in Note 28 to the financial statements.

SIGNIFICANT INVESTMENT

As at 31 December 2011 and 31 March 2011, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 19 July 2011, the Group completed the acquisition of the entire equity interest in Sharp Wonder Holdings Limited at a consideration of HK$387.1 million, of which HK$238.0 million was paid by the Company in cash and HK$149.1 million (being fair value of the promissory notes) was satisfied by the issue of the promissory notes of the Company. Following the completion, the Group beneficially owns the entire interest of the three jewelry retail outlets in Hong Kong and two jewelry retail outlets in Singapore, all under the brand name of "Larry Jewelry 俊文寶石店".

On 8 September 2011, the Group completed the acquisition of the entire issued share capital of Parkwell Asia Limited and the shareholders' loan at a consideration of HK$6.0 million, of which HK$3.5 million was paid by the Company in cash and HK$2.5 million (being fair value of the convertible notes) was satisfied by the issue of the convertible notes of the Company.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the period under review and up to date of this report.

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved on 30 September 2011 to change the financial year end date from 31 March to 31 December in order to have a co-terminus financial year end date with most of the new subsidiaries of the Group acquired pursuant to the acquisition of the entire equity interests in Sharp Wonder Holdings Limited on 19 July 2011. Accordingly, these consolidated financial statements for the period under review covered the nine-month period from 1 April 2011 to 31 December 2011. The corresponding comparative figures covered a twelve-month period from 1 April 2010 to 31 March 2011 and therefore may not be comparable with amounts shown for the current period.

CHANGE OF COMPANY NAME

Pursuant to the resolution of the Board passed on 30 September 2011, the Company announced the proposed change of the English name of the Company from "Eternite International Company Limited" to "Larry Jewelry International Company Limited" (the "Primary Name") and the Chinese name of the Company from "永恒國際股份有限公司" (which has been used by the Company for identification purposes only) to "俊文寶石國際有限公司" (the "Secondary Name") by adopting the same as the secondary name of the Company. The change of the company name has been approved by the shareholders at the special general meeting held on 26 October 2011.

PLEDGE OF ASSETS

As at 31 December 2011, a security for the due and punctual payment and performance of the obligations of the Company under an aggregate principal amount of HK$150,000,000 of the promissory notes dated 19 July 2011, which was issued by Company, is secured by a share charge dated 19 July 2011 over the entire issued share capital of Sharp Wonder Holdings Limited (a wholly-owned subsidiary of the Group) executed by Peakwood Limited (a wholly-owned subsidiary of the Group) as the charger in favour of Solid Bonus Limited (31 March 2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2011 and 31 March 2011, the Group has no significant contingent liabilities.

LEASE AND CONTRACTED COMMITMENTS

Operating Lease Commitments

As at 31 December 2011, the total future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	Group	
	31 December 2011 HK$'000	31 March 2011 HK$'000
Within one year	**38,937**	3,679
In the second to fifth years inclusive	**53,327**	6,118
	92,264	9,797

Operating lease payments represent rentals payable by the Group for office premises. The leases run for initial periods of 3 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

Capital commitments

	31 December 2011 HK$'000	31 March 2011 HK$'000
Contracted but not provided for:		
Capital commitments for property, plant and equipment	**500**	–

Save for the above commitments, as at 31 December 2011 and 31 March 2011, neither the Group nor the Company had any other significant commitments.

EVENTS AFTER THE REPORTING DATE

On 22 March 2012, an aggregate principal amount of HK$56,000,000 of the convertible notes were issued to the placees with the conversion price of HK$0.80 per conversion share, which bear interest at the rate of 3% per annum and will be redeemed by the Company on 21 March 2014 at 110% of its principal amount. The Company received net proceeds of approximately HK$54,550,000 from the issuance of convertible notes.

On 23 March 2012, the Company entered into a subscription agreement with Lico Consultancy Limited to raise HK$116,000,000 by issuance of new shares. Completion of the subscription is conditional upon, among others, (i) the passing of the resolutions approving the grant of the special mandate for the issue and allotment of the new shares by the shareholders at the special general meeting and (ii) the Listing Committee of the Stock Exchange granting the permission to deal in the subscription shares. The transaction is expected to be completed on or before 31 May 2012.

On 23 March 2012, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to procure placees to subscribe for 83,120,000 new shares at the placing price of HK$0.77 per share. Completion of the placing is conditional upon, among others, (i) the passing of the resolutions approving the grant of the special mandate for the issue and allotment of the new shares by the shareholders at the special general meeting and (ii) the Listing Committee of the Stock Exchange granting the permission to deal in the placing shares. The transaction is expected to be completed on or before 31 May 2012.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and Singapore and most of the transactions are denominated in HK$, United States Dollars ("US$") and Singapore Dollars ("SGD"). Exposures to currency exchange rates arise from the Group's overseas sales and purchases. Accordingly, the Board is of the view that, to certain extent, the Group is exposed to foreign currency exchange risk.

For the US$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US$ to HK$ is comparatively stable. However, the Group is exposed to SGD exchange exposure and fluctuation of exchange rates of SGD against HK$ could affect the Group's results of operations.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the period under review, management of the Group used certain foreign currency forward contracts to hedge the exposure to foreign exchange risk as most of the assets and liabilities denominated in currencies other than the functional currency of the entities to which they related are short term foreign currency cash flows. Management will also adjust the currency mix of its borrowings to better align with the currency mix of cash generated from operation.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 122 (31 March 2011: 31) employees, including directors of the Company (the "Directors"). Total staff costs (including Directors' emoluments) were approximately HK$26,749,000, in which including share-based payment expenses of HK$ Nil (31 March 2011: HK$14,335,000), for the nine months ended 31 December 2011 as compared to approximately HK$19,282,000 for the year ended 31 March 2011. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

OUTLOOK

In 2012, Larry Jewelry will implement dynamic program to develop new market and introduce new products, especially to China. To cope with its long-term vision becoming the most recognized jewelry brand in Asia, the Group will pursue five strategic objectives:

- **Focus on retail business**
  The Group will reinforce its areas of excellence. As inherited from the long history of Larry Jewelry, we will link our classic image with modernity. We will continue to seek cooperation with other suppliers, further enriching our product offerings for your existing customers while catching the attention from new, potential ones.

- **Expand sales channels through strategic partnerships**
  New retail points using crossover concept, as well as the traditional standalone stores, are in consideration. Not only we will seek for prime locations matched the Group's products, but we will also keep on exploring prospects with potential business partners to consolidate our foothold in Asia and further expand our business within the luxury goods sector.

- **Integrate and allocate human resources**
  The Group houses a team of professionals from different areas. We will continue to recruit talents who can bring in new sparkles to the team in order to strengthen its competitive edges in both design and quality control. In view of the expansion in retail business, we will also provide trainings to our sales staff covering product knowledge, customer services and communication skills.

- **Revitalize the Larry Jewelry brand**
  Larry Jewelry pursues an Asian brand strategy focusing on creating consistency of brand perception of high-end jewelry across the region. In 2011, the Group launched a new website as to reflect the change of the Group's core business, from wholesale to retail. Looking forward, through the marketing and communication efforts, the Group will continue to invest in a high degree of visibility at national and domestic levels to promote the brand image and the recognition of "Larry Jewelry", highlighting our unsurpassed mastery in jewelry design as well as our long established tradition.

- **Rebalance the capital structure**
  The Group would continue to review its capital structure and to lower its gearing ratio by identifying sources of fundings to lower the cost of capital and better manage the Group's foreign exchange exposure.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 October 2011 to 31 December 2011 (the "Review Period").

	Business objectives for the Review Period	Actual operation progress up to 31 December 2011
Product development	– Introduce more designs to the new product series manufactured by the micro-setting and/or invisible setting techniques	Whilst the designs were attractive, the sales generated were much lower than expected amid poor market sentiment
	– Introduce more designs to new gemstone product series based on feedback from customers	The launch was delayed due to unfavourable market conditions
	– Promote and launch the high-end new product series with unique designs	The Group has leveraged on the design team of Larry Jewelry to develop such products
	– Produce designs for potential customers in South America	Due to refocus on the Greater China market, the sales trip to South America was cancelled
	– Explore the market appetites in South East Asia	Due to focus on direct retail business, this initiative was suspended
Expansion of sales network	– Strengthen the communication channels with existing customers and existing markets	Several sales trips were made to Singapore, Europe and Canada. However, the results were disappointing
	– Expand the customers' base by further exploring business opportunities with potential customers in existing markets	Meetings with potential customers were arranged during the sales trips. New sales generated were limited due to slow recovery in Europe and US
	– Enhance the Group's corporate profile, improve product display in tradeshows and participate in more new tradeshows, if necessary	The Group participated in one tradeshow in the last three months in 2011 with limited success
	– Evaluate the performance in the Pan-pacific region, in particular, Australia, based on the sales revenue and feedback from relevant customers and modify the business plan, if necessary	Based on the information gathered, management considered that investment in this sector may not generate attractive return to the shareholders

Business objectives for the Review Period	Actual operation progress up to 31 December 2011
– Develop business opportunities in South America based on information gathered from overseas customers' visit(s) and contacts with the potential customers, produce new product designs which suit the market demand in South America and arrange business trips to promote these products	The trip to South America was cancelled as management considered that opportunities in the Greater China region offered a better growth potential for the Group
– Explore business opportunities in South East Asia based on the information gathered from HKTDC and the Internet, study the market trends in the region and establish preliminary contacts with potential customers by arranging visit(s) to South East Asia, by joining HKTDC trade tours to South East Asia, and by participating in tradeshows in South East Asia and invite potential customers to attend the Hong Kong March Jewelry Show	The expansion plan for wholesale business in South East Asia was cancelled as the Group placed more focus in the retail segment. Moreover, it has established a significant presence in Singapore through acquisition of Larry Jewelry
– Set up branches in the Group's major markets	The setting up of branch in Europe and US was delayed due to poor market conditions in these markets
– Evaluate and update the Group's website	The Group's website has been updated to reflect the recent corporate developments
– Evaluate the performance of the existing retail outlets and modify the business plan, if necessary	The Group closed the retail shop in Macau in July 2011 (due to unsatisfactory performance of the shop since inception). It has successfully entered into the retail segment through acquisitions
– Depending on sufficiency of the then internal resources of the Group, establish the Group's third retail outlet in the PRC, possibly in Guangdong province, Xi'an or Shanghai, including setting up of office, renting and fitting-out of premise and recruitment of staff	Following the acquisition of Larry Jewelry and Parkwell, the Group has expanded its retail network to Singapore and Beijing. Management continues to identify suitable sites in these areas to open more retail outlets

	Business objectives for the Review Period	Actual operation progress up to 31 December 2011
Human resources deployment and staff training	– Evaluate and improve the design ability of the Group's in-house design team	The Group has secured both experienced designers and new talents through acquisition of Larry Jewelry, Parkwell as well as recruitment
	– Participate in jewelry design competitions so as to enhance the experience of the in-house design team	This is delayed as the Group focus on other merger and acquisition activities
	– Strengthen the Group's procurement and quality control team through provision of training on the latest raw material knowledge and market trends	Training was provided to the staff involved. They were also encouraged to take professional examination
	– Recruit additional staff with experience in raw material sorting	The Group has increased its capacity in raw materials sorting through acquisition of Larry Jewelry
	– Provide and organise trainings to the sales team on product knowledge, quality control processes, customer services and communication skills	Trainings to the sales team were provided
	– Evaluate the performance of the sales team	Several wholesale salespersons left the Group during the past three months. The Group continued to identify suitable candidates as replacement
	– Enhance after-sales customer services	More regular follow up with customers were conducted to boost new orders from existing customers. Sales from existing customers represented a significant part of the Group's wholesale business during the period under review
Procurement and contract manufacturing	– Further enhance the networking and communication with the Group's suppliers and jewelry subcontractors	The Group has leveraged on the supplier and contractor network of Larry Jewelry and Parkwell to broaden its network
	– Evaluate potential suppliers and jewelry subcontractors in other markets	Several new suppliers and subcontractors had been identified. The Group has begun working with these parties on a pilot basis

USE OF PROCEEDS

The shares of the Company were listed on the GEM of the Stock Exchange by way of placing of 160,000,000 shares (comprising 80,000,000 new shares (the "New Shares") and 80,000,000 Sale Shares (as defined in the Prospectus)) on 7 October 2009. The net proceeds from the issue of the New Shares, after deducting related expenses, were approximately HK$16.0 million.

During the Review Period, the Group has applied the net proceeds as follows:

	Amount extracted from the Prospectus HK$'000	Actual usage HK$'000
Product development	3,200	3,200
Expansion of sales network	3,700	3,700
Human resources deployment and staff training	3,000	3,000
Procurement and contract manufacturing	2,000	2,000
Enhancement of inventory level	2,500	2,500
General working capital	1,600	1,600
	16,000	16,000

The net proceeds has been used in full in accordance with plan for use of proceeds as disclosed in the Prospectus.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Ms. Tsang Po Yee Pauline (曾寶儀), aged 33, is an executive Director, company secretary, compliance officer, and authorized representative of the Group. Ms. Tsang was appointed as an executive Director on 16 December 2010 and is responsible for overall strategic planning, operations, financial management of the Group. Ms Tsang has over 8 years of experience in the accounting and finance area. Ms. Tsang is a qualified member of CPA Australia. Ms. Tsang joined Deloitte Touche Tohmatsu in 2002. Ms. Tsang has extensive experience in internal control management by serving different financial institutions including Morgan Stanley, Societe Generale Securities (Hong Kong) Limited and Royal Bank of Scotland. She then joined the Research and Strategy Group at Citi Private Bank in 2007 as a research analyst. Upon completion of her tenure with Citi Private Bank, Ms. Tsang joined her family-owned business in January 2010 as a director and is responsible for property redevelopment and asset management. Ms. Tsang received both her Bachelor of Commerce degree with double majors in Accounting and Finance and Master of Commerce degree with major in Professional Accounting from Macquarie University in Sydney, Australia in 2000 and 2002 respectively.

Ms. Tsang is also currently a director of her family-owned charity trust which has been actively participating in charitable functions and donations for more than 20 years.

Non-Executive Directors

Mr. Chan Man Fai Joe (陳文輝), aged 53, was appointed as a non-executive Director and chairman on 16 December 2010. Mr. Chan has over 20 years of advisory and trading experience at leading financial institutions. He is currently the founder, the Investment Manager and Managing Director of Galaxy Asset Management (H.K.) Limited ("Galaxy Asset Management"). He is also the responsible officer of Type 9 activities (Asset Management) with the Securities and Futures Commission, Hong Kong ("SFC"). He joined Morgan Stanley in 1988 and his initial assignments were in London where he became the principal trader in the fixed income division. Mr. Chan was appointed as the managing director of Morgan Stanley in 1994. In 1995, Mr. Chan was reassigned to Morgan Stanley's Hong Kong office where he headed the equity division. He left Morgan Stanley in 1996 and formed Galaxy Asset Management in 1998. Mr. Chan received his honourable bachelor degree of social sciences from the University of Hong Kong and his master degree of business administration from The Wharton School, University of Pennsylvania, USA.

Mr. Chan is currently a managing director of Galaxy Asset Management, which is currently an Investment advisor to Galaxy China Deep Value Fund, Galaxy Master Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Event Driven Fund Segregated Portfolio and Galaxy Master Fund SPC, for and on behalf of Galaxy Mining and Natural Resources Fund Segregated Portfolio, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (collectively, the "substantial shareholders").

Mr. Tam B Ray Billy (譚比利), aged 43, was appointed as a non-executive Director on 16 December 2010. He has been a practising solicitor in Hong Kong for over fifteen years. He is currently a partner of Messrs. Ho & Tam. Mr. Tam holds a Bachelor Degree of Laws from the University of London, Bachelor Degree of PRC Laws from Tsinghua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange and independent non-executive directors of M Dream Inworld Limited, China Natural Investment Company Limited and China AU Group Holdings Limited, all of which are listed on the GEM. Mr. Tam is also a non-executive director of Milan Station Holdings Limited, a company listed on Main Board of the Stock Exchange.

Mr. Lam Kin Kok (林建國), aged 47, was appointed as an independent non-executive Director on 22 February 2011 and was redesignated as a non-executive Director on 19 March 2012. Mr. Lam has over 20 years of real estate investment and development experience in Hong Kong and Mainland China. He started his career in architecture and development consultancy in 1990 with a leading architect firm in Hong Kong. He has been appointed as project development heads for numerous large scale residential and commercial developments undertaken by major Hong Kong developers and property fund management companies. Mr. Lam is a member of Hong Kong Institute of Architects and a Registered Architect under Architects Registration Board Hong Kong. Mr. Lam graduated with a Master of Science degree in Architecture from UCL, University of London UK and a Bachelor degree in Architecture from University of Hong Kong.

Independent non-executive Directors

Mr. Seto Man Fai (司徒文輝), aged 43, was appointed as an independent non-executive Director on 22 February 2011. Mr. Seto graduated from the Chinese University of Hong Kong with a bachelor's degree in accounting. He is a member of American Institute of Certified Public Accountants, a practicing accountant in New York State of the United States of America, a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Institute of Chartered Accountants in England and Wales. Mr. Seto has extensive experiences in accounting, auditing and corporate finance. Mr. Seto is currently the partner of an accounting firm in New York in the USA and two accounting firms in Hong Kong. He has been an independent non-executive director of New City (China) Development Limited, a company listed on the Main Board of the Stock Exchange, since October 2009.

Mr. Ho Hin Hung Henry (何顯鴻), aged 55, was appointed as an independent non-executive Director on 22 February 2011. Mr. Ho has over 28 years of experience in investment management, investment banking and research. In the past ten years, Mr. Ho worked for several internationally prestigious investment banks heading their HK/China research departments. During the period from 1994 to 1999, Mr. Ho served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region. Mr. Ho holds a degree of Master of Arts in Accounting and Finance from the University of Lancaster, United Kingdom. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He has been a director of 天津天士力制藥股份有限公司 (Tianjin Tasly Pharmaceutical Joint Stock Company Limited), a company listed on the Shanghai Stock Exchange, since March 2009. Mr. Ho has been a non-executive director of Mongolia Investment Group Limited, a company listed on the Main Board of the Stock Exchange, since April 2011.

Mr. Wong Tat Tung (黃達東), aged 42, was appointed as an independent non-executive Director on 19 March 2012. Mr. Wong has over 15 years' business experience in the field of wealth management and investment. He has served as a Vice President of Credit Suisse Privilege Limited in Hong Kong. Currently, he is the Managing Director of Channel 8 Wealth Management Ltd and the Chairman of World Time International Limited. Further, Mr. Wong is the Vice Chairman of Sham Shui Po District Council for the Hong Kong Special Administrative Region and a committee member of the city of Jiangmen Chinese People's Political Consultative Conference in Guangdong province. In addition, Mr. Wong is the Chairman of Yan Oi Tong and at the same time offered by many educational institutions as distinguished school board members of their schools.

SENIOR MANAGEMENT

Mr. Chan Hoo Chow, Charles (陳浩洲), is the advisor of the Group and a director of Larry Jewelry's Singapore operations with 40 years of working experience with Larry Jewelry. He established the first overseas branch of Larry Jewelry in Singapore 1975. Through out the years, Mr. Chan has built the company into a house-hold name in jewelry trade. He has taken serious practice in Fair Trading and insistence only on top quality jewelry and servicing in Larry Jewelry. This excels the company into much higher level and wins the company great respect and reputation from consumers, suppliers and in the trade world wide. He was the initiator of the Singapore Jewellery Design Award. This program attracts keen interests from international students of design courses and also enhances the local jewellery trade in terms of designing.

Mr. Chan Ho Kong, Stanley (陳浩江), is the advisor of the Group and a director of Larry Jewelry's operation in Hong Kong operations with 37 years of working experience with Larry Jewelry. Since he joined the Larry Jewelry in Hong Kong in 1975, he has regarded his work as a calling rather than as an occupation. For decades, Mr. Stanley has managed the business with an acute sense of form and design, an in-depth understanding of diamonds and precious stones, a penchant for craftsmanship and refinement, and most importantly, the passion and desire to create a perfect work of art down to the very last detail. He has taken serious practice in monitoring the consumer market and the trend of jewelry design, sourcing high-quality precious stones and supervising quality control in all production processes. As a result, Larry Jewelry has grown from the vision of Chan brothers to a well-known and highly respected jeweler.

Ms. Chung Sin Yee, Iris (鍾倩儀), is the head of business development of the Group. She has immense experiences in luxury brand marketing and business management. She once was the merchandising manager of Marathon Sports of Swire Resources Limited. In 2008, she was the consumer marketing director for Hong Kong and Macau of Coca-Cola China Ltd., being in charge of a 14-brand portfolio and accountable for their unique brand positioning and sales targets. Prior to starting her own business, Ms Chung was the group chief executive officer of the Just Gold group. She headed three regional offices in the PRC, Taiwan and Hong Kong, with 400 staff and close to 70 branded outlets. She was also the spokesperson of that company and icons for the brands. Ms. Chung was awarded "The 100 Most Outstanding Woman Entrepreneurs in China-2006" by The China Woman Entrepreneur Association. Ms Chung holds a master in business administration degree and a bachelor of arts degree from the Chinese University of Hong Kong.

Mr. Fan Ngan (范雁), being a MBA owner and a GIA Graduate Gemologist (G.G.), is the operations director of the Larry Jewelry's operations in Hong Kong overseeing the sales & marketing operation, organizing purchase, design and production in order to achieve a common corporate strategic goal. He has joined Larry Jewelry since 1995. During all these years, he has worked directly with front and back teams, especially his experience in sales and customer service enable him to monitor all the departments smoothly and promote sales effectively to the Group's potential customers.

Mr. Tay Yam Seng, Eric (鄭炎成), is the retail director of Larry Jewelry's operations in Singapore. With 30 years of working experience in Larry Jewelry, Eric has gone through from sales assistance to retail director. He keeps upgrading himself in management and has processes a professional diploma in Retail Management. Eric successfully built up his confidence and skill of managing staff and customers. He was promoted to retail director in year 2011. His responsibilities include taking care of the front line P & L, staff salesmanship training, cooperate with marketing program, enforcing company rules and regulation, etc. Under Eric's positive influence, staffs are able to keep up good sale record and relationship with customers.

Ms. Ng Swee Chu, Catherine (黃瑞珠), is the administration director of the Larry Jewelry operations in Singapore and has worked for 36 years with Larry Jewelry, Catherine is now the Administration Director. She has a good urge of upgrading herself. Holding a degree in Management, Catherine's main responsibilities include managing the entire administration work and assisting on HR issues. She also takes care of stock management (purchase, inventory control, manufacturing and distribution, etc). Catherine's long year experiences help her to gain strong supports from suppliers local and overseas with good relationship.

Mr. Lee Chi Kin (李志健), is the general manager of Eternity Jewelry overseeing the development of the wholesale business. He has over 8 years of experience in the jewelry industry with in depth knowledge in the sales, procurement, production operations and quality control. Mr. Lee gained experience with the Group from June 2003 to January 2006 when he first joined the Group as a sale executive. In March 2009, he rejoined the Group as procurement supervisor and was appointed general manager of Eternity Jewelry in August 2011.

Mr. Li Lam Ming, Francis (李林明), is the IT director of the Group and he is responsible for the IT function as well as E-Commerce business of the organization. He was educated in UK with a degree in Computer Science at the University of Liverpool, United Kingdom. He is a member of the British Computer Society and was awarded Chartered Engineer by The Engineering Council, UK in 1994. Starting as a Systems Engineer with IBM China/Hong Kong Corporation in 1988, Francis has established a solid and successful career in the IT industry. During his twenty three years' tenure with global companies such as British American Tobacco (HK) Ltd, Level (3) Communications Ltd, Arrow Electronics and GAP, Francis had gained solid experience in IT operations as well as E-Commerce business. Before joining the Company as IT director, Francis was the senior IT director in GAP International Sourcing (Holdings) Ltd. As the senior IT director, Francis led a team of professionals around the world to provide IT services that meet the company's business needs including the implementation of Supply Chain Solution, GAP China On-line and retail business launch.

Mr. Luk Wai Keung (陸偉強), is the chief financial officer of the Group. He has over 15 years of working experience in the accounting and finance area. Mr. Luk worked for 10 years at Arthur Andersen and PricewaterhousCoopers providing advisory services on investment, merger and acquisition. He also gained extensive experience in financial planning and control, post deal integration and process improvement during his services in the commercial sector. He graduated from University of Hong Kong with a Bachelor of Engineering Degree in Civil Engineering and has obtained a Master Degree in Business Administration (MBA) from the Australian Graduate School of Management. He is a member of the American Institute of Certified Public Accountants and a Chartered Financial Analyst ("CFA") charterholder.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the nine months ended 31 December 2011. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the nine months ended 31 December 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules ('the Code"). During the nine months ended 31 December 2011, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

BOARD OF DIRECTORS

At present, the Board of the Company comprises seven members as follows:

Executive Directors
Ms. Tsang Po Yee Pauline

Non-executive Directors
Mr. Chan Man Fai Joe *(Chairman)*
Mr. Tam B Ray Billy
Mr. Lam Kin Kok

Independent non-executive Directors
Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Wong Tat Tung

Mr. Lam Kin Kok was redesignated from the post of independent non-executive Director to non-executive Director on 19 March 2012.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 17 to 20.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditor;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, led by the executive Director, Ms. Tsang Po Yee, Pauline.

During the nine months ended 31 December 2011, the Board held 40 meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's bye-laws. The attendance rates of Directors at the Board meetings in the nine months ended 31 December 2011 are detailed in the following table.

	The Board	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Executive Directors		
Ms. Tsang Po Yee Pauline	40	40
Mr. So Chun Kai (resigned on 31 August 2011)	26	18
Non-executive Directors		
Mr. Chan Man Fai Joe	40	40
Mr. Tam B Ray Billy	40	40
Mr. Lam Kin Kok	40	40
Mr. Yim Kwok Man (resigned on 31 August 2011)	26	17
Mr. Joseph Patrick Chu Yeong Kang (resigned on 29 July 2011)	20	13
Independent non-executive Directors		
Mr. Seto Man Fai	40	40
Mr. Ho Hin Hung Henry	40	40
Mr. Wong Tat Tung (appointed on 19 March 2012)	N/A	N/A

All Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's bye-laws, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing.

Mr. Chan Man Fai Joe plays a leading role and is responsible for effective running of the Board while Ms. Tsang Po Yee, Pauline is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

APPOINTMENT, RE-ELECTION AND REMOVAL

According to the Bye-laws of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation. All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Board has established a remuneration committee ("RC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The RC comprises two Independent Non-executive Directors and one Non-executive Director, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok, and is chaired by Mr. Seto Man Fai.

The RC is responsible for, inter alia, making recommendations to the Board on the remuneration package of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC is provided with sufficient resources enabling it to discharge its duties.

The revised written terms of reference of the RC are available on the Company's website.

During the nine months ended 31 December 2011, the RC held 1 meeting, at which the members of the RC have reviewed the remuneration packages of all Directors and senior management of the Company. The attendance rates of RC members at the RC meeting for the nine months ended 31 December 2011 are detailed in the following table.

	Remuneration Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Seto Man Fai	1	1
Mr. Ho Hin Hung Henry	1	1
Mr. Lam Kin Kok	1	1

NOMINATION COMMITTEE

The Board is empowered under the Company's Bye-laws to appoint any person as a director to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on the assessment of their professional qualifications and experience, character and integrity.

The Board has established a nomination committee ("NC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The NC comprises two Independent Non-executive Directors and one Non-executive Director, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok, and is chaired by Mr. Seto Man Fai.

The NC is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of directors and board succession. The NC develops selection procedures of candidates for nomination, reviews the size, structure and composition of the Board, as well as assesses the independence of independent non-executive Directors. The NC is provided with sufficient resources enabling it to discharge its duties.

The revised written terms of reference of the NC are available on the Company's website.

During the nine months ended 31 December 2011, the NC held 1 meeting, at which the members of the NC have reviewed the structure, size and composition including the skills knowledge and experience of the Board. The attendance rates of NC members at the NC meeting for the nine months ended 31 December 2011 are detailed in the following table.

	Nomination Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Seto Man Fai	1	1
Mr. Ho Hin Hung Henry	1	1
Mr. Lam Kin Kok	1	1

AUDITOR'S REMUNERATION

For the nine months ended 31 December 2011, the remuneration in respect of audit services provided by the external auditor of the Group are approximately HK$1,029,000.

The external auditor of the Company charged non-audit fees in total of HK$980,000 for acting as the reporting accountants in respect of the very substantial acquisition of the Group during the period.

AUDIT COMMITTEE

The Board has established an audit committee ("AC") in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The AC comprises the two Independent Non-executive Directors and one Non-executive Director and headed by Mr. Seto Man Fai who has appropriate professional qualifications and experience in financial matters. The terms of reference of the AC are aligned with the provisions set out in the CG Code. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

The revised written terms of reference of the AC are available on the Company's website.

During the nine months ended 31 December 2011, the AC held 3 meetings. The attendance rates of AC members at the AC meetings in the nine months ended 31 December 2011 are detailed in the following table.

Directors	Audit Committee No. of Meetings Held	 No. of Meetings Attended
Mr. Seto Man Fai	3	3
Mr. Ho Hin Hung Henry	3	3
Mr. Lam Kin Kok	3	3

INTERNAL CONTROLS

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company (collectively "internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current operate structure and scope of the Group's operations.

INVESTOR RELATIONS AND SHAREHOLDERS RIGHTS

The Company proactively promotes investor relations. Communication with shareholders is always given high priority. Extensive information about the Group's activities is provided in the annual report, interim report and quarterly report. The Company's website provides regularly updated information to shareholders. Enquiries on matters relating to the business of the Group are welcomed, and are dealt with in an informative and timely manner.

The Company encourages all shareholders to attend the annual general meetings to stay informed of the Group's strategy and goals. It provides an opportunity for direct communications between the Board and its shareholders. Shareholders have statutory rights to call for special general meetings by serving appropriate written requests to the Company. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from shareholders. The poll results are published on the websites of the Company and the Stock Exchange.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the financial statements for each financial year which gives a true and fair view. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 37 and 38 of this annual report.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") is pleased to present the annual report and the audited consolidated financial statements of Larry Jewelry International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 19 to the financial statements. There were no significant changes in nature of Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group's loss for the nine months ended 31 December 2011 and the state of affairs of the Group at that date are set out in the financial statements on pages 39 to 108 of this annual report.

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last four financial years and for the nine months ended 31 December 2011 is set out on page 3. This summary does not form part of the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the nine months ended 31 December 2011, sales to the Group's five largest customers were less than 30% of the total sales for the period. Purchases from the Group's five largest suppliers accounted for 35% (31 March 2011: 51%) of the total purchases for the period while the largest supplier accounted for 13% (31 March 2011: 19%) of the total purchases for the period.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the period are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the period in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the period are set out in note 29 to the financial statements and in the statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company had no distributable reserves, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of approximately HK$236,005,000 as at 31 December 2011 may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the period and up to the date of this report were:

Executive Directors

Ms. Tsang Po Yee Pauline
Mr. So Chun Kai – resigned on 31 August 2011

Non-executive Directors

Mr. Chan Man Fai Joe *(Chairman)*
Mr. Tam B Ray Billy
Mr. Lam Kin Kok*
Mr. Yim Kwok Man – resigned on 31 August 2011
Mr. Joseph Patrick Chu Yeong Kang – resigned on 29 July 2011

Independent Non-executive Directors

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Wong Tat Tung – appointed on 19 March 2012

* Redesignated from the post of Independent Non-executive Director to Non-executive Director on 19 March 2012

In accordance with bye-law 84 of the Company's bye-laws, Mr. Tam B Ray Billy and Mr. Lam Kin Kok shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 83(2) of the Company's bye-laws, Mr. Wong Tat Tung will retire at the forthcoming annual general meeting, but, being eligible, will offer himself for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 17 to 20 of this annual report.

DIRECTORS' SERVICE AGREEMENT

Mr. So Chun Kai entered into a service contract with the Company for a fixed term of one year commencing from 16 December 2010. Mr. So Chun Kai resigned on 31 August 2011.

Each of Ms. Tsang Po Yee Pauline, Mr. Chan Man Fai Joe, Mr. Tam B Ray Billy, Mr. Yim Kwok Man and Mr. Joseph Patrick Chu Yeong Kang entered into a service contract with the Company for a fixed term of two years commencing from 16 December 2010 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Mr. Yim Kwok Man and Mr. Joseph Patrick Chu Yeong Kang resigned on 31 August 2011 and 29 July 2011 respectively.

Each of Mr. Seto Man Fai and Mr. Ho Hin Hung Henry entered into a service contract with the Company for a fixed term of two years commencing from 22 February 2011.

Each of Mr. Lam Kin Kok and Mr. Wong Tat Tung entered into a service contract with the Company for a fixed term of two years commencing from 19 March 2012.

Save as disclosed above, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 14 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE OPTIONS, SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the share options, shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in share options of the Company

Name of Director	Date of grant of share options	Exercise period	Exercise price	Number of options directly beneficially owned	Approximate percentage of total issued shares
Ms. Tsang Po Yee Pauline	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.67%
Mr. Chan Man Fai Joe	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.67%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.67%
Total				17,430,000	

Long positions in shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding of the Company
Mr. Chan Man Fai Joe ("Mr. Chan")	Directly beneficial owned	5,000,000	0.58%
	Held by controlled corporation	2,310,000	0.27%
		7,310,000	0.85%

Note: Mr. Chan, the Chairman and a non-executive director of the Company, was interested in 2,310,000 shares through Galaxy Investment (BVI) Limited. 100% of the issued share capital of Galaxy Investment (BVI) Limited was held by Galaxy Holdings (BVI) Limited, and 100% of the issued share capital of Galaxy Holdings (BVI) Limited was held by Crystal Harbour Holdings Limited, a company wholly owned by Mr. Chan.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its 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 to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2011, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company 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 is, directly or indirectly, interested in 5% 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 members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity of interests	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Galaxy Asset Management (H.K.) Ltd (Note 1)	Investment advisor	190,160,000	21.99%
Fullink Management Limited (Note 2)	Beneficial owner	181,000,000	20.93%
Tsang, Michael Man-heem (Note 2)	Interest of controlled corporation	181,000,000	20.93%
Citigroup Inc.	Person having a security interest in shares	189,076,000	21.86%

Notes:

1. These Shares refer to 96,760,000 Shares held by Galaxy China Deep Value Fund, 65,460,000 Shares held by Galaxy Master Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Special Situations Segregated Portfolio 1, 11,000,000 Shares held by Galaxy Master Fund SPC, for and on behalf of Galaxy Mining and Natural Resources Fund Segregated Portfolio, 8,540,000 Shares held by Galaxy Master Fund SPC, for and on behalf of Galaxy China Hidden Value Fund Segregated Portfolio and 8,400,000 Shares held by Galaxy China Opportunities Fund. Galaxy Asset Management (H.K.) Limited is the investment advisor to these funds. Mr. Chan Man Fai Joe, a non-executive Director and the chairman of the Company, is a director of Galaxy Asset Management (H.K.) Ltd.

2. These Shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem, 15% by Ms. Tsang Po Yee Pauline (an executive Director), 15% by Ms. Tsang, Becky Po Kei, 15% by Ms. Tsang, Po De Wendy and 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang Po Yee Pauline (an executive Director) is a director of Fullink Management Limited.

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company 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 is, directly or indirectly, interested in 5% 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 members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short positions in the share options, the shares, underlying shares and debentures of the company or any associated corporations" above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

CONNECTED TRANSACTIONS

During the nine months ended 31 December 2011, the Group entered into the following connected transactions with its connected persons:

	HK$'000
Total rental expenses	6,660

The independent non-executive directors of the Company have reviewed the continuing connected transactions conducted by the Group, and are of the view that they were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reviewed the continuing connected transactions and in the letter sent to the Company confirmed that the continuing connected transactions:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the annual cap approved by the Stock Exchange.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at the date of this annual report, none of the directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

BANK BORROWINGS

The Group has no bank borrowings as at 31 December 2011 (31 March 2011: Nil).

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 2.17 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 December 2011.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 21 September 2009 under which certain selected classes of participants (including, among others, fulltime employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

Details of the movements in the share options granted and exercised during the nine months ended 31 December 2011 under the Share Option Scheme and the General Mandate are as follows:

	Number of share options								
Grantee	Outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2011	Date of grant	Exercise period	Exercise price
(i) Under Share Option Scheme									
Directors									
Ms. Tsang Po Yee Pauline	5,810,000	–	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Chan Man Fai Joe	5,810,000	–	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Joseph Patrick Chu Yeong Kang (Note 1)	5,810,000	–	–	(5,810,000)	–	–	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Yim Kwok Man (Note 1)	5,810,000	–	–	(5,810,000)	–	–	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Tam B Ray Billy	5,810,000	–	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Consultant	–	8,304,500	(3,704,500)	–	–	4,600,000	30 September 2011	30 September 2011 to 29 September 2014	HK$0.550
	29,050,000	8,304,500	(3,704,500)	(11,620,000)	–	22,030,000			
(ii) Under General Mandate									
Consultant	17,000,000	–	–	–	–	17,000,000	8 March 2011	8 March 2011 to 7 March 2013	HK$0.553
Consultant	–	30,000,000 (Note 2)	–	–	–	30,000,000	4 October 2011	4 October 2011 to 3 October 2013	HK$0.750
	17,000,000	30,000,000	–	–	–	47,000,000			
Total	46,050,000	38,304,500	(3,704,500)	(11,620,000)	–	69,030,000			

Note 1: Mr Joseph Patrick Chu Yeong Kang and Mr Yim Kwok Man resigned as non-executive Directors on 29 July 2011 and 31 August 2011 respectively.

Note 2: On 4 October 2011, the Company entered into a service agreement (the "Service Agreement") with Corporate Capital Advisory Limited ("CCAL"), a company with limited liability incorporated in Hong Kong and independent of and not connected to the Company. Pursuant to the Service Agreement, the Company issued the share option to CCAL in exchange of the professional service provided by CCAL.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review. The Group's compliance with the code provisions is set out in the Corporate Governance Report from pages 21 to 27 of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of the significant events after the reporting date of the Group are set out in note 37 to the financial statements.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 December 2011, except for the agreement entered into between the Company and the Compliance Adviser dated 28 September 2009, neither the Compliance Adviser or its directors, employees or associates had any interest in relation to the Group.

AUDITOR

BDO Limited has acted as auditor of the Company for the nine months ended 31 December 2011.

BDO Limited shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chan Man Fai Joe
Chairman and
Non-executive Director

Hong Kong, 27 March 2012

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF LARRY JEWELRY INTERNATIONAL COMPANY LIMITED (FORMERLY KNOWN AS ETERNITE INTERNATIONAL COMPANY LIMITED)

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Larry Jewelry International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2011 to 31 December 2011, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the period from 1 April 2011 to 31 December 2011 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 27 March 2012

CONSOLIDATED INCOME STATEMENT

For the period from 1 April 2011 to 31 December 2011

	Notes	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Revenue	5	**203,983**	48,650
Cost of sales		**(168,745)**	(35,327)
Gross profit		**35,238**	13,323
Other income	5	**467**	486
Distribution costs		**(34,927)**	(3,882)
Administrative expenses		**(58,969)**	(28,337)
Finance costs	7	**(17,374)**	(16)
Loss before income tax	8	**(75,565)**	(18,426)
Income tax credit/(expense)	9	**1,086**	(936)
Loss for the period/year attributable to the owners of the Company		**(74,479)**	(19,362)
		HK cents	HK cents (Restated)
Loss per share for loss attributable to the owners of the Company during the period/year – Basic and diluted	12	**(9.60)**	(3.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2011 to 31 December 2011

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Loss for the period/year attributable to the owners of the Company	**(74,479)**	(19,362)
Other comprehensive income		
Exchange loss on translation of financial statements of foreign operations	**(6,360)**	–
Total other comprehensive income for the period/year	**(6,360)**	–
Total comprehensive income for the period/year attributable to the owners of the Company	**(80,839)**	(19,362)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**7,284**	1,981
Goodwill	16	**43,736**	–
Intangible assets	17	**79,000**	–
Deposits	18	**7,900**	–
Financial assets at fair value through profit or loss	20	**3,130**	–
		141,050	1,981
Current assets			
Inventories	21	**332,346**	29,588
Trade receivables	22	**11,443**	11,177
Prepayments, deposits and other receivables		**4,936**	11,046
Tax recoverable		**1,245**	622
Bank time deposits	23	**–**	1,693
Bank and cash balances	23	**123,324**	64,705
		473,294	118,831
Current liabilities			
Trade payables	24	**54,891**	2,835
Other payables and accruals		**22,310**	1,661
Borrowings	25	**276,940**	–
Provision for tax		**5,151**	–
		359,292	4,496
Net current assets		**114,002**	114,335
Total assets less current liabilities		**255,052**	116,316
Non-current liabilities			
Deferred tax liabilities	26	**16,777**	–
Convertible notes	27	**45,046**	–
		61,823	–
Net assets		**193,229**	116,316
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	**8,649**	6,700
Reserves	29	**184,580**	109,616
Total equity		**193,229**	116,316

Chan Man Fai Joe
Director

Tsang Po Yee Pauline
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(b)	**1,415**	–
Deposits	18	**1,486**	–
Interests in subsidiaries	19	**7,497**	7,482
Financial assets at fair value through profit or loss	20	**3,130**	–
		13,528	7,482
Current assets			
Deposits and other receivables		**787**	10,164
Amounts due from subsidiaries	19	**488,570**	35,275
Bank and cash balances	23	**8,806**	54,868
		498,163	100,307
Current liabilities			
Other payables and accruals		**3,507**	928
Borrowings	25	**276,940**	–
Amount due to a subsidiary	19	**8**	8
		280,455	936
Net current assets		**217,708**	99,371
Total assets less current liabilities		**231,236**	106,853
Non-current liabilities			
Convertible notes	27	**45,046**	–
		45,046	–
Net assets		**186,190**	106,853
EQUITY			
Share capital	28	**8,649**	6,700
Reserves	29	**177,541**	100,153
Total equity		**186,190**	106,853

Chan Man Fai Joe
Director

Tsang Po Yee Pauline
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2011 to 31 December 2011

	Notes	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Cash flows from operating activities			
Loss before income tax		**(75,565)**	(18,426)
Adjustments for:			
Interest income	5	**(22)**	(10)
Interest expenses	7	**17,374**	16
Depreciation	8	**2,008**	480
Write-down/(Reversal of write-down) of inventories to net realisable value, net	8	**5,482**	(2,886)
Loss of inventories	8	**2,979**	–
Provision of impairment on trade receivables	8	**2,486**	1,207
Loss on disposals of property, plant and equipment	8	**1,623**	–
Impairment on goodwill	8	**5,082**	–
Change in fair value of financial assets at fair value through profit or loss	8	**499**	–
Equity-settled share-based payment expenses	8	**450**	16,050
Operating loss before working capital changes		**(37,604)**	(3,569)
Increase in inventories		**(36,201)**	(8,339)
Decrease/(Increase) in trade receivables		**14,753**	(2,207)
Increase in prepayments, deposits and other receivables		**(47,709)**	(730)
Increase/(Decrease) in trade payables		**29,726**	(2,154)
(Decrease)/Increase in other payables and accruals		**(38,476)**	495
Cash used in operations		**(115,511)**	(16,504)
Interest paid		**(10,620)**	(16)
Income tax paid		**(1,257)**	(1,731)
Net cash used in operating activities		**(127,388)**	(18,251)
Cash flows from investing activities			
Purchases of property, plant and equipment	15(a)	**(4,991)**	(1,290)
Decrease/(Increase) in bank time deposits		**1,693**	(1,693)
Payments for the deposits for proposed acquisition of a subsidiary	31(a)	**–**	(10,000)
Payments for the acquisitions of subsidiaries	31(a) and (b)	**(127,907)**	–
Interest received		**22**	10
Net cash used in investing activities		**(131,183)**	(12,973)

	Notes	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Cash flows from financing activities			
Repayment of borrowings		**(45,000)**	(1,200)
New borrowings raised		**170,000**	1,200
Proceeds from issue of convertible notes	27	**54,000**	–
Issuance cost of convertible notes		**(1,754)**	–
Proceeds from issue of shares	28	**140,623**	70,942
Share issue expenses		**(527)**	(1,261)
Net cash generated from financing activities		**317,342**	69,681
Net increase in cash and cash equivalents		**58,771**	38,457
Cash and cash equivalents as at the beginning of the period/year		**64,705**	26,248
Effect of foreign exchange rate changes		**(152)**	–
Cash and cash equivalents as at the end of the period/year		**123,324**	64,705
Analysis of balances of cash and cash equivalents			
Bank and cash balances	23	**123,324**	64,705

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2011 to 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 29(iii))	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 29(i))	Translation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
Balance as at 1 April 2010	4,800	31,508	–	–	–	(830)	–	14,469	49,947
Issue of shares upon placing (notes 28(i) and (ii))	1,365	54,464	–	–	–	–	–	–	55,829
Share issue expenses	–	(1,261)	–	–	–	–	–	–	(1,261)
Recognition of equity-settled share-based payments (note 30)	–	–	–	–	16,050	–	–	–	16,050
Issue of shares upon exercise of share options (note 28(vii))	535	16,251	–	–	(1,673)	–	–	–	15,113
Repurchase and cancellation of share options and settled by a shareholder (note 30)	–	(3,061)	3,988	–	(927)	–	–	–	–
Transactions with owners	1,900	66,393	3,988	–	13,450	–	–	–	85,731
Loss for the year	–	–	–	–	–	–	–	(19,362)	(19,362)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	(19,362)	(19,362)
Balance as at 31 March 2011 and 1 April 2011	6,700	97,901	3,988	–	13,450	(830)	–	(4,893)	116,316

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2011 to 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 29(iii))	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 29(i))	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 31 March 2011 and 1 April 2011	6,700	97,901	3,988	–	13,450	(830)	–	(4,893)	116,316
Issue of convertible notes (note 27)	–	–	–	17,634	–	–	–	–	17,634
Issuance cost of convertible notes	–	–	–	(428)	–	–	–	–	(428)
Issue of shares upon placing (notes 28(iii), (iv), (v) and (vi))	1,912	136,673	–	–	–	–	–	–	138,585
Share issue expenses	–	(527)	–	–	–	–	–	–	(527)
Recognition of equity-settled share-based payments (note 30)	–	(400)	–	–	850	–	–	–	450
Issue of shares upon exercise of share options (note 28(vii))	37	2,358	–	–	(357)	–	–	–	2,038
Share options forfeited (note 30)	–	–	–	–	(5,260)	–	–	5,260	–
Transactions with owners	1,949	138,104	–	17,206	(4,767)	–	–	5,260	157,752
Loss for the period	–	–	–	–	–	–	–	(74,479)	(74,479)
Other comprehensive income									
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(6,360)	–	(6,360)
Total comprehensive income for the period	–	–	–	–	–	–	(6,360)	(74,479)	(80,839)
Balance as at 31 December 2011	8,649	236,005	3,988	17,206	8,683	(830)	(6,360)	(74,112)	193,229

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2011 to 31 December 2011

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

Larry Jewelry International Company Limited (the "Company") was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") is located at Units 01–02, 5th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") since 7 October 2009.

Pursuant to a resolution passed on 26 October 2011 at a special general meeting, the Company's name was changed from Eternite International Company Limited to Larry Jewelry International Company Limited.

Pursuant to a resolution passed by the board of directors on 30 September 2011, the Company's financial year end was changed from 31 March to 31 December each year. Accordingly, the financial statements for the current period cover the nine months from 1 April 2011 to 31 December 2011 whilst the comparative amounts shown on the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the twelve months from 1 April 2010 to 31 March 2011. The comparative information may not be comparable with amounts shown for the current period.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19 to the financial statements. On 19 July 2011, the Group completed the acquisition of the entire equity interests in Sharp Wonder Holdings Limited and its subsidiaries (the "Sharp Wonder Group") (note 31(a)) which is principally engaged in the design and sale of jewelry products in Hong Kong and Singapore, details of which have been set out in the Company's circular dated 24 June 2011. On 8 September 2011, the Group completed the acquisition of the entire equity interests in Parkwell Asia Limited and its subsidiaries (the "Parkwell Group") (note 31(b)) which is principally engaged in the sale of jewelry products in the People's Republic of China (the "PRC"), details of which have been set out in the Company's announcement dated 8 August 2011.

Other than the acquisitions as described above, there were no significant changes in the Group's operations during the period.

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The financial statements for the period from 1 April 2011 to 31 December 2011 were approved for issue by the board of directors on 27 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 39 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Acquisition of subsidiaries or businesses is accounted for using 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 interests 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 interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and business combination (Continued)

When the Group loses control of a subsidiary, 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 interests. 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 interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating unit ("CGU") that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values, if any, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	25%
Office equipment	25%
Leasehold improvements	20% or the lease term, whichever is shorter
Moulds	30%

The assets' estimated useful lives, depreciation methods and estimated residual values, if any, are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.6 Intangible assets

The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

2.7 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment and interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGU that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets (Continued)

Impairment losses recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Financial assets

The Group's financial assets mainly include trade and other receivables, deposits, financial assets at fair value through profit or loss, bank time deposits and bank and cash balances. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Financial assets at fair value through profit or loss

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial assets at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial liabilities

The Group's financial liabilities include trade and other payables, accruals, borrowings and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policies for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables and accruals

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings, which include other loans and promissory notes, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities (Continued)

Convertible notes

(i) Convertible notes contain liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible notes equity reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised, in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

(ii) Convertible notes contain liability and equity components, and early redemption option derivatives

Convertible notes issued by the Company that contain liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes equity reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest rate method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded conversion option is exercised (in which case the balance stated in the convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profit. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivables for the sale of goods and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(ii) Management income

Management income is recognised when the services are rendered.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.14 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss using the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period/year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Retirement benefit costs and short-term employee benefits

Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the PRC and Singapore, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiary operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

The subsidiary operating in Singapore are required to participate in post-employment benefits plans under which the subsidiary pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The subsidiary has no further payment obligations once the contributions have been paid.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, with a cap of monthly salaries of HK$20,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group contributes to a defined contribution scheme for the employees in Macau. Payments to defined contribution scheme are charged as an expense when employees rendered services entitling them to the contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Retirement benefit costs and short-term employee benefits (Continued)

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Provision and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.19 Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Segment reporting (Continued)

The Group has identified the following reportable segments:

(i) Design and the trading of jewelry products; and

(ii) Retailing of jewelry products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

The management policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except expenses related to share-based payments, finance costs, income tax, corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

2.22 Borrowings costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2011:

Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in 2010

Other than as noted below, the adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not effective, and have not been adopted by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2015. 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, classification 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.

HKFRS 10 Consolidated Financial Statements

The standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The Group makes judgement, 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:

(i) Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

(ii) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of receivables of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

(iii) Income taxes

The Group is subject to income taxes in Hong Kong, Macau, Singapore and the PRC. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(iv) Valuation of share options

For the services rendered by the employees, directors and consultants, the Group measured the services received at the fair value of the services received, unless that fair value cannot be estimated reliably. When the Group cannot estimate reliably the fair value of the services received, the Group measured their value indirectly by reference to the fair value of the equity instruments granted.

For the share options granted to the consultants, the Group assessed the fair value of the services received. For the share options granted to the employees, the fair value of the share options granted was determined with reference to the market price of the options with similar terms and conditions. For the share options granted to the directors, the fair value of the options granted was determined by applying an option pricing model. The directors exercise their judgement in selecting an appropriate valuation technique for the share options granted by the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Valuation of share options (Continued)

Valuation technique, namely Black-Scholes valuation model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options granted to the directors. The estimation of fair values of the share options are derived after taking into account the input parameters. Significant estimates and assumptions made by management included the estimated life of share options granted to be ten years based on exercise restrictions and behavioural considerations; the volatility of share price which was determined by reference to historical data and weighted average share prices and exercise prices of the share options granted. Details of the inputs and parameters are set out in note 30 to the financial statements.

(v) Fair value of assets acquired and liabilities assumed upon acquisitions of subsidiaries

In connection with acquisitions of subsidiaries, the assets acquired and liabilities assumed are adjusted to their estimated fair values on dates of acquisitions. The determination of fair values of the assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

(vi) Estimated impairment of goodwill

The Group tests on annual basis whether goodwill is impaired in accordance with the accounting policy stated in note 2.7. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Details in impairment assessment are set out in note 16.

(vii) Valuation of convertible notes

The directors of the Company use their judgement in selecting an appropriate valuation technique for the Group's convertible notes which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of the redemption option derivatives, if any and the liability and equity components inside the convertible notes are estimated by an independent professional valuer. The fair value of these components varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of these components.

(viii) Estimated fair value of the acquired intangible assets

Fair value of brand name is determined based on the relief-from-royalty method. These calculations require the use of estimates about future revenue, royalty saved and discount rate. In the process of estimation, management makes assumptions about future revenue, royalty saved and expected useful lives of the brand name. Any change in these variables so adopted may materially affect the estimation of the fair value of these intangible assets.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods sold in the course of the Group's principal activities, net of returns and trade discounts. Revenue and other income recognised during the period/year are as follows:

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Revenue		
Sales	**203,983**	48,650
Other income		
Interest income	**22**	10
Management income	**350**	–
Exchange gain, net	**–**	9
Sundry income	**95**	467
	467	486

6. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as operating segments as further described in note 2.21.

(a) Design and Trading of Jewelry Products segment

(b) Retailing of Jewelry Products segment

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

6. SEGMENT INFORMATION (Continued)

	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Total
	Period from 1 April 2011 to 31 December 2011		
	HK$'000	HK$'000	HK$'000
Revenue:			
From external customers	11,252	192,731	203,983
Inter-segment revenue	1,805	–	1,805
Reportable segment revenue	13,057	192,731	205,788
Reportable segment loss	(11,686)	(22,155)	(33,841)
Bank interest income	7	15	22
Depreciation	223	1,539	1,762
Loss on disposals of property, plant and equipment	517	1,106	1,623
Write-down of inventories to net realisable value	5,482	–	5,482
Loss of inventories	2,979	–	2,979
Provision of impairment on trade receivables	2,486	–	2,486
Impairment on goodwill	–	5,082	5,082
	31 December 2011		
	HK$'000	HK$'000	HK$'000
Reportable segment assets	36,687	560,788	597,475
Additions to non-current segment assets	2,080	128,082	130,162
Reportable segment liabilities	31,229	59,242	90,471

6. SEGMENT INFORMATION (Continued)

	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Total
	Year ended 31 March 2011		
	HK$'000	HK$'000	HK$'000
Revenue:			
From external customers	47,517	1,133	48,650
Inter-segment revenue	567	117	684
Reportable segment revenue	48,084	1,250	49,334
Reportable segment profit/(loss)	3,633	(2,938)	695
Bank interest income	10	–	10
Depreciation	327	153	480
Reversal of write-down of inventories to net realisable value	2,886	–	2,886
Provision of impairment on trade receivables	1,207	–	1,207
	31 March 2011		
	HK$'000	HK$'000	HK$'000
Reportable segment assets	58,942	2,888	61,830
Additions to non-current segment assets	–	1,197	1,197
Reportable segment liabilities	3,487	57	3,544

6. SEGMENT INFORMATION (Continued)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Reportable segment revenue	**205,788**	49,334
Elimination of inter segment revenue	**(1,805)**	(684)
Group revenue	**203,983**	48,650
Reportable segment (loss)/profit	**(33,841)**	695
Equity-settled share-based payment expenses	**(450)**	(15,105)
Finance costs	**(17,374)**	(16)
Change in fair value of financial assets at fair value through profit or loss	**(499)**	–
Unallocated corporate income	**350**	–
Unallocated corporate expenses	**(23,751)**	(4,000)
Loss before income tax	**(75,565)**	(18,426)

	31 December 2011 HK$'000	31 March 2011 HK$'000
Reportable segment assets	**597,475**	61,830
Property, plant and equipment	**1,415**	–
Deposits	**1,486**	–
Financial assets at fair value through profit or loss	**3,130**	–
Bank and cash balances	**8,806**	54,868
Unallocated assets	**2,032**	4,114
Group assets	**614,344**	120,812
Reportable segment liabilities	**90,471**	3,544
Borrowings	**276,940**	–
Convertible notes	**45,046**	–
Unallocated	**8,658**	952
Group liabilities	**421,115**	4,496

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000	**31 December 2011 HK$'000**	31 March 2011 HK$'000
Greater China (including Hong Kong, Macau and Taiwan)	**105,897**	10,227	**127,608**	1,981
Southeast Aisa	**93,743**	983	**2,412**	–
Europe	**3,847**	31,906	**–**	–
The United States of America and Canada	**496**	4,280	**–**	–
Rest of Asia	**–**	154	**–**	–
Australia	**–**	111	**–**	–
The Middle East	**–**	989	**–**	–
	203,983	48,650	**130,020**	1,981

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During the period from 1 April 2011 to 31 December 2011, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) (Year ended 31 March 2011: Nil) and no non-current assets were located in Bermuda (31 March 2011: Nil). The country of domicile is determined as the country where the Company was incorporated.

During the period from 1 April 2011 to 31 December 2011, none of the Group's revenue depended on a single customer in the Design and Trading of Jewelry Products segment (Year ended 31 March 2011: HK$14,119,000).

7. FINANCE COSTS

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Interest charges on bank and other borrowings wholly repayable within five years	**10,620**	16
Imputed interest expenses wholly repayable within five years		
– convertible notes (note 27)	**3,874**	–
– promissory notes (note 25(ii))	**2,880**	–
	17,374	16

8. LOSS BEFORE INCOME TAX

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**1,029**	412
Cost of inventories recognised as expense, including	**168,745**	35,327
– Write-down of inventories to net realisable value	**5,482**	–
– Reversal of write-down of inventories to net realisable value (note 21)	**–**	(2,886)
Provision of impairment on trade receivables (note 22)	**2,486**	1,207
Depreciation	**2,008**	480
Loss on disposals of property, plant and equipment	**1,623**	–
Impairment on goodwill (note 16)	**5,082**	–
Loss of inventories*	**2,979**	–
Change in fair value of financial assets at fair value through profit or loss (note 20)	**499**	–
Equity-settled share-based payment expenses^	**450**	16,050
Employee benefit expense (including equity-settled share-based payment expenses) (note 13)	**26,749**	19,282
Exchange loss/(gain), net	**2,102**	(9)
Operating lease rentals in respect of rented premises	**23,475**	1,885

^ No equity-settled share-based payment expenses relating to staff benefit expense (Year ended 31 March 2011: HK$14,335,000).

* The claim from the insurance company of HK$2,876,000 was settled in February 2012.

9. INCOME TAX (CREDIT)/EXPENSE

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Current income tax – Hong Kong		
– Current year	**1,247**	936
– Under-provision in respect of prior years	**48**	–
Current income tax – Singapore		
– Current year	**1,227**	–
Deferred tax		
– Current year (note 26)	**(3,608)**	–
	(1,086)	936

9. INCOME TAX (CREDIT)/EXPENSE (Continued)

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI during the period (Year ended 31 March 2011: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (Year ended 31 March 2011: 16.5%) on the estimated assessable profit for the period.

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit for the period.

No income tax has been provided for Macau and the PRC as there is no estimated assessable profit derived from Macau and the PRC during the period (Year ended 31 March 2011: Nil).

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rate is as follows:

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Loss before income tax	**(75,565)**	(18,426)
Tax on loss before income tax, calculated at applicable rate in the tax jurisdiction concerned	**(12,353)**	(2,908)
Tax effect of non-deductible expenses	**9,567**	3,493
Tax effect of non-taxable revenue	**(52)**	(1)
Tax effect of deductible temporary difference not recognised	**139**	–
Tax effect of tax loss not recognised	**1,656**	352
Utilisation of previously unrecognised tax losses	**(91)**	–
Under-provision in respect of prior years	**48**	–
Income tax (credit)/expense	**(1,086)**	936

10. DIVIDENDS

The board of directors did not recommend any payment of dividend during the period from 1 April 2011 to 31 December 2011 (Year ended 31 March 2011: Nil).

11. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$74,479,000 (Year ended 31 March 2011: HK$19,362,000), a loss of HK$78,415,000 (Year ended 31 March 2011: HK$18,348,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of HK$74,479,000 (Year ended 31 March 2011: HK$19,362,000) and the weighted average number of 775,713,664 (31 March 2011: 644,189,682 (restated)) ordinary shares in issue during the period/year, after adjusting for the placing in April 2011 (note 28 (iii)), August 2011 (note 28 (iv)), September 2011 (note 28 (v)) and December 2011 (note 28 (vi)), exercise of share options (note 28 (vii)) and the adjustments in respect of the bonus elements in the shares issued under the placing arrangements in April 2011 (note 28 (iii)), August 2011 (note 28 (iv)) and December 2011 (note 28 (vi)).

For the period from 1 April 2011 to 31 December 2011 and year ended 31 March 2011, basic loss per share are same as diluted loss per share as there was no dilutive ordinary share.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Wages, salaries and allowances	**25,808**	4,783
Defined contribution retirement benefit scheme contributions	**941**	164
Equity-settled share-based payment expenses	**–**	14,335
	26,749	19,282

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company are as follows:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Period from 1 April 2010 to 31 December 2011						
Executive directors						
Ms. Tsang Po Yee, Pauline		–	500	–	9	509
Mr. So Chun Kai	(a)	–	610	–	5	615
Non-executive directors						
Mr. Chan Man Fai, Joe		–	180	–	9	189
Mr. Tam B Ray, Billy		–	180	–	9	189
Mr. Yim Kwok Man	(a)	–	100	–	5	105
Mr. Joseph Patrick Chu Yeong Kang	(b)	–	79	–	4	83
Independent non-executive directors						
Mr. Seto Man Fai		90	–	–	5	95
Mr. Lam Kin Kok		90	–	–	5	95
Mr. Ho Hin Hung, Henry		90	–	–	5	95
		270	1,649	–	56	1,975

Notes:

(a) Resigned on 31 August 2011.

(b) Resigned on 29 July 2011.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2011						
Executive directors						
Mr. So Chun Kai		–	455	–	12	467
Ms. Tsang Po Yee, Pauline	(a)	–	176	2,630	4	2,810
Mr. Cheng Kwong Sai, Paul	(b)	–	279	–	12	291
Mr. Cheung Kwok Fan	(b)	–	186	–	8	194
Non-executive directors						
Mr. Chan Man Fai, Joe	(a)	–	70	2,630	4	2,704
Mr. Yim Kwok Man	(a)	–	70	2,630	4	2,704
Mr. Joseph Patrick Chu Yeong Kang	(a)	–	70	2,630	4	2,704
Mr. Tam B Ray, Billy	(a)	–	70	2,630	4	2,704
Independent non-executive directors						
Mr. Seto Man Fai	(c)	13	–	–	–	13
Mr. Lam Kin Kok	(c)	13	–	–	–	13
Mr. Ho Hin Hung, Henry	(c)	13	–	–	–	13
Mr. Chan Kin Wah, Billy	(d)	108	–	–	–	108
Mr. Lei Hong Kuong	(d)	108	–	–	–	108
Mr. Ng Heung Yan	(d)	108	–	–	–	108
		363	1,376	13,150	52	14,941

Notes:

(a) Appointed on 16 December 2010.

(b) Resigned on 16 December 2010.

(c) Appointed on 22 February 2011.

(d) Resigned on 22 February 2011.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the period from 1 April 2011 to 31 December 2011 (Year ended 31 March 2011: Nil).

No share options were granted to the directors of the Company during the period from 1 April 2011 to 31 December 2011 (Year ended 31 March 2011: 29,050,000).

No emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the period from 1 April 2011 to 31 December 2011 (Year ended 31 March 2011: Nil).

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group for the period included 1 (Year ended 31 March 2011: 5) director(s) whose emoluments are reflected in the analysis as shown in note 14(a). The emoluments of the remaining 4 (Year ended 31 March 2011: Nil) highest paid individuals for the period from 1 April 2011 to 31 December 2011 which fell within the band of Nil – HK$1 million, are as follows:

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Basic salaries, bonuses and other allowances	**2,710**	–
Defined contribution retirement benefit scheme contributions	**20**	–
	2,730	–

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Total HK$'000
As at 1 April 2010					
Cost	226	167	404	461	1,258
Accumulated depreciation	(33)	(23)	(20)	(11)	(87)
Net book amount	193	144	384	450	1,171
Year ended 31 March 2011					
Opening net book amount	193	144	384	450	1,171
Additions	87	187	1,016	–	1,290
Depreciation	(71)	(69)	(202)	(138)	(480)
Closing net book amount	209	262	1,198	312	1,981
As at 31 March 2011 and 1 April 2011					
Cost	313	354	1,420	461	2,548
Accumulated depreciation	(104)	(92)	(222)	(149)	(567)
Net book amount	209	262	1,198	312	1,981
Period from 1 April 2011 to 31 December 2011					
Opening net book amount	**209**	**262**	**1,198**	**312**	**1,981**
Additions	**496**	**618**	**3,877**	**–**	**4,991**
Acquisition of subsidiaries (note 31(a))	**2,941**	**632**	**523**	**–**	**4,096**
Depreciation	**(770)**	**(223)**	**(911)**	**(104)**	**(2,008)**
Disposals	**(309)**	**(188)**	**(1,126)**	**–**	**(1,623)**
Exchange differences	**(84)**	**(38)**	**(31)**	**–**	**(153)**
Closing net book amount	**2,483**	**1,063**	**3,530**	**208**	**7,284**
As at 31 December 2011					
Cost	**3,148**	**1,269**	**4,299**	**461**	**9,177**
Accumulated depreciation	**(665)**	**(206)**	**(769)**	**(253)**	**(1,893)**
Net book amount	**2,483**	**1,063**	**3,530**	**208**	**7,284**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
As at 1 April 2010, 31 March 2011 and 1 April 2011			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Period from 1 April 2011 to 31 December 2011			
Opening net book amount	**–**	**–**	**–**
Additions	**51**	**1,610**	**1,661**
Depreciation	**(2)**	**(244)**	**(246)**
Closing net book amount	**49**	**1,366**	**1,415**
As at 31 December 2011			
Cost	**51**	**1,610**	**1,661**
Accumulated depreciation	**(2)**	**(244)**	**(246)**
Net book amount	**49**	**1,366**	**1,415**

16. GOODWILL – GROUP

The amount of goodwill recognised in the consolidated statement of financial position, arising from the acquisitions of subsidiaries, is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
At the beginning of the period/year		
Gross carrying amount	–	–
Accumulated impairment	–	–
Net carrying amount	–	–
For the period/year		
Opening net carrying amount	–	–
Acquisitions of subsidiaries (notes 31(a) and (b))	48,818	–
Impairment losses	(5,082)	–
Closing net carrying amount	43,736	–
At the end of the period/year		
Gross carrying amount	48,818	–
Accumulated impairment	(5,082)	–
Net carrying amount	43,736	–

For the purpose of impairment testing, goodwill is allocated to the following CGUs:

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
Retailing of jewelry products in the PRC	(a)	5,082	–
Retailing of jewelry products in Hong Kong and Singapore	(b)	43,736	–
		48,818	–

16. GOODWILL – GROUP (Continued)

(a) Retailing of jewelry products in the PRC

Goodwill as at 31 December 2011 arose from the acquisition of the Parkwell Group in 2011, details of which are set out in note 31(b). The recoverable amount for this CGU was determined based on value in use calculations, covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rate stated below. The discount rate applied to the cash flow projections was 17%.

The key assumptions also include stable profit margins, which have been determined based on past performance, and management's expectations for market share, after taking into consideration published market forecast and research. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to this CGU. The growth rate reflects the long-term average growth rate for the product line of the CGU.

As at 31 December 2011, provision for impairment loss of HK$5,082,000 was recognised in profit or loss to write down to its recoverable amounts.

(b) Retailing of jewelry products in Hong Kong and Singapore

Goodwill as at 31 December 2011 arose from the acquisition of the Sharp Wonder Group in 2011, details of which are set out in note 31(a). The recoverable amount for this CGU was determined based on value in use calculations, covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rate stated below. The discount rate applied to the cash flow projections was 17%.

The key assumptions also include stable profit margins, which have been determined based on past performance, and management's expectations for market share, after taking into consideration published market forecast and research. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to this CGU. The growth rate reflects the long-term average growth rate for the product line of the CGU.

Management of the Company is not aware of any other probable changes that would necessitate changes in its key estimates which will result in the carrying amount of goodwill exceeding its recoverable amount.

17. INTANGIBLE ASSETS – GROUP

The amount of intangible assets recognised in the consolidated statement of financial position, arising from the acquisition of the Sharp Wonder Group, is as follows:

	Brand name HK$'000
Net carrying amount	
At 1 April 2010, 31 March 2011 and 1 April 2011	–
Acquisition of subsidiaries (note 31(a))	79,000
At 31 December 2011	79,000

In the opinion of the directors, brand name is considered to have an indefinite life as it has been in the market for many years and the nature of the industry in which the Group operates is that the brand obsolescence is not common if supported by appropriate level of marketing.

17. INTANGIBLE ASSETS – GROUP (Continued)

For impairment testing, intangible assets with indefinite useful lives at 31 December 2011 were allocated to the CGU relating to the retailing of jewelry products in Hong Kong and Singapore. The recoverable amount of the CGU represents the value in use at 31 December 2011. Based on a valuation report for the brand name prepared by an independent professional qualified valuer, BMI Appraisals Limited, the fair value of brand name is based on a relief-from-royalty method to estimate the Group does not have to pay a fair royalty to a third party for the use of the intangible assets for twenty years and certain key assumptions including royalty rates of 1.35% and 2.91% for Hong Kong and Singapore respectively, and a discount rate of 17.53% and 16.39% for Hong Kong and Singapore respectively to determine the value in use. The recoverable amount of CGU was determined to be in excess of its net carrying amount.

Management believes that possible changes in any of the above assumptions would not cause the carrying amounts to exceed their recoverable amounts.

18. DEPOSITS – GROUP AND COMPANY

Deposits represented the non-current rental deposits paid. All of the deposits were aged within five years and were denominated in HK$, Renminbi ("RMB") and Singapore dollars ("SGD"). These related to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

	31 December 2011 HK$'000	31 March 2011 HK$'000
Unlisted shares, at cost (note (i))	**7,497**	7,482
Amounts due from subsidiaries	**488,570**	35,275
Amount due to a subsidiary	**(8)**	(8)

Note:

(i) Included in the investments in subsidiaries of HK$7,497,000 (31 March 2011: HK$7,482,000), HK$945,000 (31 March 2011: HK$945,000) represents the Company's contribution to one of its indirectly owned subsidiaries by means of granting share options to certain employees of the subsidiary for the year ended 31 March 2011.

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values at the reporting date because the amounts have a short maturity period on its inception, such that the time value of money impact is not significant.

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (Continued)

Particulars of the subsidiaries as at 31 December 2011 are as follows:

Name of company	Place of incorporation/ registration and type of legal entity	Particulars of nominal value of issued ordinary/registered share capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Allwin State Limited	BVI, limited liability company	1,000 ordinary shares of United States Dollars ("US$") 1 each	100%	–	Investment holding
Alpha Wealth Investments Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding
Better Act Group Limited (note ii)	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding
Better Win International Limited (note ii)	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding
Eternity Diamonds Trading Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Trading of diamonds
Eternity Jewelry Company Limited ("Eternity Jewelry")	Hong Kong, limited liability company	9,999 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products
Eternity Jewelry (Macau) Company Limited	Macau, limited liability company	25,000 ordinary shares of Macau Pataca ("MOP") 1 each	–	100%	Retailing of jewelry products
Full Join Limited ("Full Join")	BVI, limited liability company	3,000 ordinary shares of US$1 each	100%	–	Investment holding
Invest Trade Group Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	–	Investment holding
Larry Jewelry Limited (note ii)	Hong Kong, limited liability company	50,000,000 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products
Larry Jewelry (1967) Pte Limited (note ii)	Singapore, limited liability company	13,800,000 ordinary shares of SGD1 each	–	100%	Design and sale of jewelry products

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (Continued)

Name of company	Place of incorporation/ registration and type of legal entity	Particulars of nominal value of issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Merit Will Inc. (note i)	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	–	Investment holding
New Larry Jewelry Limited (note i)	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Retailing of jewelry products
Parkwell (Asia Pacific) Company Limited (note ii)	Hong Kong, limited liability company	10 ordinary shares of HK$1 each	–	100%	Investment holding
Parkwell Asia Limited ("Parkwell Asia") (note ii)	BVI, limited liability company	1,000 ordinary shares of US$1 each	–	100%	Investment holding
Peakwood Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding
Sharp Wonder Holdings Limited ("Sharp Wonder") (note ii)	BVI, limited liability company	3 ordinary shares of US$1 each	–	100%	Investment holding
Vera Jewels Company Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products
重慶港匯商貿有限公司 Parkwell (Chongqing) Trading Co Limited* (note ii)	the PRC, wholly foreign owned enterprise	Registered capital of HK$2,000,000	–	100%	Sale of jewelry products

* The English name is for the identification purpose only.

Notes:

(i) They are newly incorporated during the period.

(ii) They are newly acquired during the period.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	31 December 2011 HK$'000	31 March 2011 HK$'000
Redemption option derivatives		
At 1 April	**–**	–
Initial recognition (note 27)	**3,629**	–
Change in fair value	**(499)**	–
At 31 December/31 March	**3,130**	–

As at 31 December 2011, the derivatives are related to the fair value of early redemption option of convertible notes issued by the Company and were revalued by an independent professional qualified valuer, BMI Appraisals Limited, details of which are set out in note 27.

21. INVENTORIES – GROUP

	31 December 2011 HK$'000	31 March 2011 HK$'000
Raw materials	**70,041**	16,532
Work in progress	**13,263**	1,961
Finished goods	**249,042**	11,095
	332,346	29,588

For the year ended 31 March 2011, the Group reversed an amount of HK$2,886,000 on the inventories, which were written down in prior years. The write-down subsequently became not necessary as at 31 March 2011 as these inventories were sold at prices higher than their carrying amounts. No reversal of write-down of inventories was made for the period from 1 April 2011 to 31 December 2011.

22. TRADE RECEIVABLES – GROUP

	31 December 2011 HK$'000	31 March 2011 HK$'000
Trade receivables	**15,136**	12,384
Less: Provision of impairment on trade receivables	**(3,693)**	(1,207)
	11,443	11,177

22. TRADE RECEIVABLES – GROUP (Continued)

The Group allows a credit period from 30 to 270 days (31 March 2011: 30 to 270 days) to its non-retail customers for the period. Based on the invoice dates, ageing analysis of trade receivables is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within 30 days	**9,057**	1,722
31–60 days	**56**	209
61–90 days	**111**	957
91–180 days	**753**	4,822
181–365 days	**648**	1,339
Over 1 year	**818**	2,128
	11,443	11,177

Based on the due date, ageing analysis of trade receivables that are not impaired is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Neither past due nor impaired	**8,972**	1,698
1–30 days past due	**144**	1,981
31–90 days past due	**657**	3,477
91–365 days past due	**951**	2,567
Over 1 year past due	**719**	1,454
	2,471	9,479
	11,443	11,177

All trade receivables are subject to credit risk exposure. At the reporting date, trade receivables were individually determined to be impaired. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers.

Trade receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

22. TRADE RECEIVABLES – GROUP (Continued)

Movement in the provision of impairment on trade receivables is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Balance at the beginning of the period/year	**1,207**	–
Impairment loss recognised (note 8)	**2,486**	1,207
Balance at the end of the period/year	**3,693**	1,207

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2011, the Group has determined trade receivables of HK$3,693,000 (31 March 2011: HK$1,207,000) as individually impaired. Based on this assessment, impairment loss of HK$2,486,000 (31 March 2011: HK$1,207,000) has been recognised. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

23. BANK AND CASH BALANCES AND BANK TIME DEPOSITS

	Group		Company	
	31 December 2011 HK$'000	31 March 2011 HK$'000	31 December 2011 HK$'000	31 March 2011 HK$'000
Bank and cash balances	**123,324**	64,705	**8,806**	54,868
Bank time deposits	**–**	1,693	**–**	–
	123,324	66,398	**8,806**	54,868

Cash at banks earns interest at floating rates based on daily bank deposits rates. As at 31 March 2011, short-term time deposits were made for a period of twelve months and earned interest at the respective short-term time deposits rate of 0.63% per annum. No short-term time deposits were made as at 31 December 2011.

The directors consider that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period on their inception.

24. TRADE PAYABLES – GROUP

The Group normally settles the outstandings due to trade payables within 0 to 150 days (31 March 2011: 0 to 150 days) credit term. Based on the invoice date, ageing analysis of trade payables is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within 30 days	54,423	196
31–60 days	467	676
61–90 days	–	1,112
91–180 days	–	851
181–365 days	1	–
	54,891	2,835

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

25. BORROWINGS – GROUP AND COMPANY

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
Borrowings wholly repayable within one year and classified as current liabilities			
Other loan, unsecured	(i)	125,000	–
Promissory notes, secured	(ii)	151,940	–
		276,940	–

Notes:

(i) On 4 July 2011, the Company entered into a loan agreement with a financial institution to borrow a fund of HK$125,000,000, which bears interest at the rate of 15% per annum and is repayable by 13 July 2012.

(ii) As described in note 31(a), as a part of the consideration of the acquisition of the Sharp Wonder Group, the Company issued promissory notes with a principal amount of HK$150,000,000. The promissory notes are secured by a share charge dated 19 July 2011 over the entire issued share capital of Sharp Wonder, a wholly-owned subsidiary of the Group and bear interest at 3.5% per annum. HK$50,000,000 will be due on 19 January 2012 and the remaining balance of HK$100,000,000 will be due on 19 July 2012. The fair value at the date of issue amounting to HK$149,060,000 was calculated at the discounted borrowing rate of 4.29% per annum.

Movement of promissory notes is as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
At the beginning of the period/year	–	–
Issue of promissory notes (note 31(a))	149,060	–
Imputed interest expenses (note 7)	2,880	–
At the end of the period/year	151,940	–

26. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under liability method using applicable tax rates.

Movement of the deferred tax liabilities/(assets) is as follows:

	Fair value adjustment on business combination HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2010, 31 March 2011 and 1 April 2011	–	–	–	–
Deferred tax liabilities arising from fair value adjustment on assets from acquisition of subsidiaries (note 31(a))	20,390	207	(199)	20,398
(Credited)/Charged to profit or loss (note 9)	(3,807)	–	199	(3,608)
Exchange differences	–	(13)	–	(13)
At 31 December 2011	**16,583**	**194**	**–**	**16,777**

No deferred tax assets of HK$1,656,000 (31 March 2011: HK$352,000) on tax losses of HK$10,036,000 (31 March 2011: HK$2,938,000) have been recognised due to the unpredictability of future profit streams.

27. CONVERTIBLE NOTES – GROUP AND COMPANY

On 11 July 2011, an aggregate principal amount of HK$54,000,000 of the convertible notes ("CN1") were issued to the placees with the conversion price of HK$1.50 per conversion share, which bear interest at the rate of 2% per annum and will be redeemed by the Company on 11 July 2014 at 120% of its principal amount. The Company may at any time after the second anniversary of the first issue date redeem the convertible notes at 120% of the principal amount by 14 days prior notice to a noteholder.

On 8 September 2011, a zero coupon convertible notes in the principal amount of HK$2,000,000 ("CN2") were issued, as a part of the consideration for the acquisition of the Parkwell Group (note 31(b)). CB2 bear no interest and were issued with the conversion price of HK$1.00 per conversion share and will be redeemed by the Company on 8 September 2014 at 100% of its principal amount.

For CN1, the fair value of the liability component, include in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible notes net of issuance expenses. For the derivative asset component, it refers to the fair value of early redemption option by the Company. The residual amount, representing the value of the equity conversion component, was included in convertible notes equity reserve net of issuance expenses.

For CN2, the fair values of the liability component and the equity component were determined at the date of the issuance of the convertible notes. The fair value of the liability component, include in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible notes. The fair value of the equity component is included in convertible notes equity reserve.

27. CONVERTIBLE NOTES – GROUP AND COMPANY (Continued)

On initial recognition, CN1 and CN2 in the consolidated statement of financial position are calculated as follows:

	For the period from 1 April to 31 December 2011		
	CN1	CN2	Total
	HK$'000	HK$'000	HK$'000
Fair value of convertible notes issued	54,000	2,503	56,503
Issuance expenses	(1,326)	–	(1,326)
Derivative asset component (note 20)	3,629	–	3,629
Equity component	(16,798)	(836)	(17,634)
Liability component on initial recognition	39,505	1,667	41,172

Movement of liability component for the period from 1 April 2011 to 31 December 2011 is as follows:

	CN1	CN2	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2011	–	–	–
Liability component upon initial recognition	39,505	1,667	41,172
Imputed interest expenses (note 7)	3,842	32	3,874
At 31 December 2011	43,347	1,699	45,046

Interest expenses of CN1 and CN2 were calculated using the effective interest rate method by applying the effective interest rate of 18.93% and 6.28% per annum respectively to the liability component.

There was no convertible note issued during the year ended 31 March 2011.

28. SHARE CAPITAL

	Notes	31 December 2011 Number of shares	31 December 2011 HK$'000	31 March 2011 Number of shares	31 March 2011 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each,					
As at 1 April 2010, 31 March 2011, 1 April 2011 and 31 December 2011		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each,					
At 1 April		**669,950,000**	**6,700**	480,000,000	4,800
Issue of shares upon placing in April 2010	(i)	**–**	**–**	72,000,000	720
Issue of shares upon placing in March 2011	(ii)	**–**	**–**	64,500,000	645
Issue of shares upon placing in April 2011	(iii)	**26,000,000**	**260**	–	–
Issue of shares upon placing in August 2011	(iv)	**61,800,000**	**618**	–	–
Issue of shares upon placing in September 2011	(v)	**72,700,000**	**727**	–	–
Issue of shares upon placing in December 2011	(vi)	**30,700,000**	**307**	–	–
Issue of shares upon exercise of share options	(vii)	**3,704,500**	**37**	53,450,000	535
As at 31 December/ 31 March		**864,854,500**	**8,649**	669,950,000	6,700

28. SHARE CAPITAL (Continued)

Notes:

(i) On 7 April 2010, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 72,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.28 per placing share with the independent investors. As a result, the Company issued 72,000,000 new ordinary shares at HK$0.28 per share on 20 April 2010. As a result, there was an increase in share capital and share premium of HK$720,000 and HK$19,440,000 respectively. Details of the placing are set out in the Company's announcements dated 7 April 2010 and 20 April 2010.

(ii) On 8 March 2011, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 64,500,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.553 per placing share with the independent investors. As a result, the Company issued 64,500,000 new ordinary shares at HK$0.553 per share on 31 March 2011. As a result, there was an increase in share capital and share premium of HK$645,000 and HK$35,024,000 respectively. Details of the placing are set out in the Company's announcements dated 9 March 2011 and 31 March 2011.

(iii) On 9 March 2011, the Company entered into a subscription agreement with a substantial shareholder and two associates of the substantial shareholders, pursuant to which an aggregate of 26,000,000 new ordinary shares were issued at the subscription price of HK$0.553 per share. As a result, the Company issued 26,000,000 new ordinary shares at HK$0.553 per share on 29 April 2011. As a result, there was an increase in share capital and share premium of HK$260,000 and HK$14,118,000 respectively. Details of the subscription are set out in the Company's announcements dated 9 March 2011, 30 March 2011 and 29 April 2011.

(iv) On 19 August 2011, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 61,800,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.75 per placing share with the independent investors. As a result, the Company issued 61,800,000 new ordinary shares at HK$0.75 per share on 24 August 2011. As a result, there was an increase in share capital and share premium of HK$618,000 and HK$45,732,000 respectively. Details of the placing are set out in the Company's announcements dated 22 August 2011 and 31 August 2011.

(v) On 19 August 2011, the Company entered into a subscription agreement with a substantial shareholder, pursuant to which an aggregate of 72,700,000 new ordinary shares were issued at the subscription price of HK$0.75 per share. As a result, the Company issued 72,700,000 new ordinary shares at HK$0.75 per share on 30 September 2011. As a result, there was an increase in share capital and share premium of HK$727,000 and HK$53,798,000 respectively. Details of the subscription are set out in the Company's announcements dated 19 August 2011, 9 September 2011, 28 September 2011 and 30 September 2011.

(vi) On 13 December 2011, the Company entered into a subscription agreement with a substantial shareholder, pursuant to which an aggregate of 30,700,000 new ordinary shares were issued at the subscription price of HK$0.76 per share. As a result, the Company issued 30,700,000 new ordinary shares at HK$0.76 per share on 21 December 2011. As a result, there was an increase in share capital and share premium of HK$307,000 and HK$23,025,000 respectively. Details of the subscription are set out in the Company's announcements dated 13 December 2011 and 21 December 2011.

(vii) During the year ended 31 March 2011, 29,450,000 and 24,000,000 share options at the exercise price of HK$0.285 and HK$0.280 per share were exercised respectively. As a result, there was an increase in share capital and share premium of HK$535,000 and HK$16,251,000 respectively and a decrease in share option reserve of HK$1,673,000.

During the period from 1 April 2011 to 31 December 2011, 3,704,500 share options at the exercise price of HK$0.55 were exercised. As a result, there was an increase in share capital and share premium of HK$37,000 and HK$2,358,000 respectively and a decrease in share option reserve of HK$357,000.

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the period/year are presented in the consolidated statement of changes in equity.

Company

	Share premium HK$'000	Capital contribution reserve HK$'000	Convertible notes equity reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as 1 April 2010	31,508	–	–	5,689	–	(2,527)	34,670
Issue of shares upon placing (notes 28(i) and (ii))	54,464	–	–	–	–	–	54,464
Share issue expenses	(1,261)	–	–	–	–	–	(1,261)
Recognition of equity-settled share-based payments (note 30)	–	–	–	–	16,050	–	16,050
Issue of shares upon exercise of share options (note 28(vii))	16,251	–	–	–	(1,673)	–	14,578
Repurchase and cancellation of share options and settled by a shareholder (note 30)	(3,061)	3,988	–	–	(927)	–	–
Transactions with owners	66,393	3,988	–	–	13,450	–	83,831
Loss for the year	–	–	–	–	–	(18,348)	(18,348)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(18,348)	(18,348)
Balance as at 31 March 2011 and 1 April 2011	**97,901**	**3,988**	**–**	**5,689**	**13,450**	**(20,875)**	**100,153**
Issue of convertible notes (note 27)	**–**	**–**	**17,634**	**–**	**–**	**–**	**17,634**
Issuance cost of convertible notes	**–**	**–**	**(428)**	**–**	**–**	**–**	**(428)**
Issue of shares upon placing (notes 28(iii), (iv), (v) and (vi))	**136,673**	**–**	**–**	**–**	**–**	**–**	**136,673**
Share issue expenses	**(527)**	**–**	**–**	**–**	**–**	**–**	**(527)**
Recognition of equity-settled share-based payments (note 30)	**(400)**	**–**	**–**	**–**	**850**	**–**	**450**
Issue of shares upon exercise of share options (note 28(vii))	**2,358**	**–**	**–**	**–**	**(357)**	**–**	**2,001**
Share options forfeited (note 30)	**–**	**–**	**–**	**–**	**(5,260)**	**5,260**	**–**
Transactions with owners	**138,104**	**–**	**17,206**	**–**	**(4,767)**	**5,260**	**155,803**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(78,415)**	**(78,415)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(78,415)**	**(78,415)**
Balance as at 31 December 2011	**236,005**	**3,988**	**17,206**	**5,689**	**8,683**	**(94,030)**	**177,541**

29. RESERVES (Continued)

Notes:

(i) Merger reserve
Merger reserve of the Group represented the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join; and (b) by Full Join and the share capital of Eternity Jewelry acquired through the shares swap pursuant to the reorganisation.

(ii) Contributed surplus
Contributed surplus of the Company represented the sum of difference between the net assets value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the reorganisation.

(iii) Capital contribution reserve
For the year ended 31 March 2011, certain number of the Company's share options was purchased by one of the shareholders and cancelled afterwards (note 30).

30. SHARE-BASED COMPENSATION

The Company adopted a share option scheme (the "SO Scheme") on 21 September 2009 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries. The SO Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the GEM Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the GEM Listing Rules.

The grant of share options is effective upon payment of a remittance of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

30. SHARE-BASED COMPENSATION (Continued)

During the period from 1 April 2011 to 31 December 2011, 38,304,500 (Year ended 31 March 2011: 118,050,000) share options were granted to certain consultants of the Group under the SO Scheme.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Movement of the share options and the exercise price

Period from 1 April 2011 to 31 December 2011

				Number of share options					
Name/category of grantee	Notes	Date of grant	Exercisable period	Balance as at 1 April 2011	Granted during the period	Exercised during the period	Forfeited during the period	Balance as at 31 December 2011	Exercise price per share HK$
Executive directors									
Ms. Tsang Po Yee, Pauline		10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	–	5,810,000	0.75
Non-executive directors									
Mr. Chan Man Fai, Joe		10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	–	5,810,000	0.75
Mr. Yim Kwok Man*		10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	(5,810,000)	–	0.75
Mr. Joseph Patrick Chu Yeong Kang^		10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	(5,810,000)	–	0.75
Mr. Tam B Ray, Billy		10 March 2011	10 March 2011 to 9 March 2021	5,810,000	–	–	–	5,810,000	0.75
				29,050,000	–	–	(11,620,000)	17,430,000	
Third parties									
In aggregate		8 March 2011	8 March 2011 to 7 March 2013	17,000,000	–	–	–	17,000,000	0.553
In aggregate	(ii)	30 September 2011	30 September 2011 to 29 September 2014	–	8,304,500	(3,704,500)	–	4,600,000	0.55
In aggregate	(iii)	4 October 2011	4 October 2011 to 3 October 2013	–	30,000,000	–	–	30,000,000	0.75
				17,000,000	38,304,500	(3,704,500)	–	51,600,000	
Total				46,050,000	38,304,500	(3,704,500)	(11,620,000)	69,030,000	

* Resigned on 31 August 2011
^ Resigned on 29 July 2011

30. SHARE-BASED COMPENSATION (Continued)

Movement of the share options and the exercise price (Continued)

Year ended 31 March 2011

				Number of share options					
Name/category of grantee	Notes	Date of grant	Exercisable period	Balance as at 1 April 2010	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31 March 2011	Exercise price per share HK$
Executive directors									
Ms. Tsang Po Yee, Pauline	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	5,810,000	0.75
Non-executive directors									
Mr. Chan Man Fai, Joe	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	5,810,000	0.75
Mr. Yim Kwok Man	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	5,810,000	0.75
Mr. Joseph Patrick Chu Yeong Kang	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	5,810,000	0.75
Mr. Tam B Ray, Billy	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	5,810,000	0.75
				–	29,050,000	–	–	29,050,000	
Employees									
In aggregate	(ii)	9 July 2010	9 July 2010 to 8 July 2011	–	23,700,000	(6,450,000)	(17,250,000)	–	0.285
				–	23,700,000	(6,450,000)	(17,250,000)	–	
Third parties									
In aggregate	(iii)	14 April 2010	14 April 2010 to 13 April 2011	–	24,000,000	(24,000,000)	–	–	0.280
In aggregate	(iii)	9 July 2010	9 July 2010 to 8 July 2011	–	24,300,000	(23,000,000)	(1,300,000)	–	0.285
In aggregate	(iii)	8 March 2011	8 March 2011 to 7 March 2013	–	17,000,000	–	–	17,000,000	0.553
				–	65,300,000	(47,000,000)	(1,300,000)	17,000,000	
Total				–	118,050,000	(53,450,000)	(18,550,000)	46,050,000	

30. SHARE-BASED COMPENSATION (Continued)

Notes:

(i) The fair values of share options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	31 March 2011 HK$'000
Share price at date of grant	HK$0.75
Expected volatility	61.85%
Expected option life	10 years
Risk-free interest rate	0.26%
Exercise price	HK$0.75

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(ii) The fair values of share options granted were determined by reference to the market prices of options with similar terms and conditions.

(iii) The fair values of share options granted were determined by the fair value of the services received from these third parties.

Share options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	31 December 2011		31 March 2011	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding as at 1 April	**46,050,000**	**0.677**	–	–
Granted	**38,304,500**	**0.707**	118,050,000	0.437
Exercised	**(3,704,500)**	**0.55**	(53,450,000)	0.283
Cancelled	**–**	**–**	(18,550,000)	0.285
Forfeited	**(11,620,000)**	**0.75**	–	–
Outstanding as at 31 December/ 31 March	**69,030,000**	**0.688**	46,050,000	0.677
Exercisable as at 31 December /31 March	**69,030,000**	**0.688**	46,050,000	0.677

The weighted average share price for share options exercised during the period at the date of exercise was HK$0.74 (31 March 2011: HK$0.71) per share.

The options outstanding at 31 December 2011 had exercise prices of HK$0.55 to HK$0.75 per share (31 March 2011: HK$0.553 to HK$0.75 per share) and weighted average remaining contractual life of 3.56 years (31 March 2011: 6.99).

30. SHARE-BASED COMPENSATION (Continued)

In total, equity-settled share-based payments of HK$450,000 (Year ended 31 March 2011: HK$16,050,000) and HK$400,000 (Year ended 31 March 2011: Nil) has been recognised in profit or loss and share premium respectively for the period from 1 April 2011 to 31 December 2011. The corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

In October 2010, the purchasers, the vendors and the warrantors entered into the agreement whereby the purchasers agreed to acquire and the vendors agreed to sell an aggregate of 305,000,000 shares of the Company and the completion took place on 13 October 2010. Pursuant to the Hong Kong Code on Takeovers and Mergers, the purchasers are required to make a mandatory general offer for all issued shares not already owned by the purchasers and to make a comparable offer for all the outstanding employees share options. As a result, 18,550,000 share options have been cancelled in December 2010.

During the period from 1 April 2011 to 31 December 2011, as two directors resigned, 11,620,000 share options granted to them were forfeited accordingly. As a result, there was a decrease in share option reserve of HK$5,260,000 and a transfer to accumulated losses of HK$5,260,000.

31. ACQUISITION OF SUBSIDIARIES

(a) The Sharp Wonder Group

On 19 July 2011, the Group completed the acquisition of the entire interests in Sharp Wonder and its subsidiaries from an independent third party, at a consideration of HK$238 million in cash and as to HK$150 million by the issue of the promissory notes. As at the date of acquisition, the Sharp Wonder Group was principally engaged in the design and retail of jewelry in Hong Kong and Singapore.

Details of the net assets acquired and goodwill are as follows:

	HK$000
Total consideration	387,060
Fair value of net assets acquired	(343,324)
Goodwill	43,736

31. ACQUISITION OF SUBSIDIARIES (Continued)

(a) The Sharp Wonder Group (Continued)

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value HK$'000	Acquirees' carrying value HK$'000
Property, plant and equipment (note 15(a))	4,096	4,096
Deferred tax assets (note 26)	199	199
Intangible assets (note 17)	79,000	–
Deposits	6,692	6,692
Inventories	280,626	238,000
Trade receivables	17,781	17,781
Prepayments, deposits and other receivables	7,334	7,334
Bank and cash balances	103,463	103,463
Trade payables	(23,367)	(23,367)
Other payables and accruals	(58,640)	(59,440)
Amount due to intermediate holding company	(50,000)	–
Amount due to former shareholders	–	(49,200)
Tax payables	(3,263)	(3,263)
Deferred tax liabilities (note 26)	(20,597)	(207)
Net assets acquired	343,324	242,088
Total consideration satisfied by:		
Purchase consideration settled in cash during the year ended 31 March 2011		10,000
Purchase consideration settled in cash during the nine months ended 31 December 2011		228,000
Promissory notes (note 25(ii))		149,060
		387,060
Net cash outflow arising on acquisition:		
Cash consideration paid		(228,000)
Cash and cash equivalents acquired		103,463
		(124,537)

31. ACQUISITION OF SUBSIDIARIES (Continued)

(a) The Sharp Wonder Group (Continued)

The goodwill arose in the acquisition because the cost of the business combination included intangible assets that do not qualify for separate recognition. No goodwill is expected to be deductible for tax purpose.

The fair value and the gross amount of trade and other receivables amount to HK$25,115,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Transaction costs of HK$10,591,000 have been expensed and are included in administrative expense.

Since the acquisition, the Sharp Wonder Group contributed revenue and a loss of HK$184,174,000 and HK$16,133,000 respectively to the Group for the period from 1 April 2011 to 31 December 2011.

(b) The Parkwell Group

On 8 September 2011, the Group completed the acquisition of the entire interests in Parkwell Asia and its subsidiaries from the independent third parties ("Vendors"), at a consideration of HK$6.0 million, of which HK$3.5 million was paid by the Company in cash and HK$2.5 million (being fair value of the convertible notes) was satisfied by the issue of the convertible notes of the Company to the Vendors. As at the date of acquisition, the Parkwell Group was principally engaged in the retail of jewelry products in the PRC.

Details of the net assets acquired and goodwill are as follows:

	HK$000
Total consideration	6,003
Fair value of net assets acquired	(921)
Goodwill	5,082

31. ACQUISITION OF SUBSIDIARIES (Continued)

(b) The Parkwell Group (Continued)

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value HK$'000	Acquirees' carrying value HK$'000
Inventories	523	523
Trade receivables	776	776
Prepayments, deposits and other receivables	237	237
Bank and cash balances	130	130
Other payables and accruals	(745)	(745)
Net assets acquired	921	921
Total consideration satisfied by:		
Cash		3,500
Convertible notes (note 27)		2,503
		6,003
Net cash outflow arising on acquisition:		
Cash consideration paid		(3,500)
Cash and cash equivalents acquired		130
		(3,370)

The goodwill arose in the acquisition because the cost of the business combination included intangible assets that do not qualify for separate recognition. No goodwill is expected to be deductible for tax purpose.

The fair value and the gross amount of trade and other receivables amount to HK$1,013,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Transaction costs of HK$418,200 have been expensed and are included in administrative expenses.

Since the acquisition, the Parkwell Group contributed revenue and a loss of HK$954,000 and HK$5,532,000 respectively to the Group for the period from 1 April 2011 to 31 December 2011.

32. OPERATING LEASE COMMITMENTS

As at 31 December 2011, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

Group

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within one year	38,937	3,679
In the second to fifth years inclusive	53,327	6,118
	92,264	9,797

Company

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within one year	6,277	–
In the second to fifth years inclusive	3,703	–
	9,980	–

Operating lease payments represent rentals payable by the Group for office premises. The leases run for initial periods of 3 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

33. CAPITAL COMMITMENTS

Group

	31 December 2011 HK$'000	31 March 2011 HK$'000
Contracted but not provided for:		
Capital commitments for property, plant and equipment	**500**	–

Company

At the reporting date, the Company has no capital commitments (31 March 2011: Nil).

34. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties:

	Period from 1 April 2011 to 31 December 2011 HK$'000	Year ended 31 March 2011 HK$'000
Management income from:		
– a related company	**350**	–
Rental expenses to:		
– the directors of the Company and their spouse by the Company's subsidiaries	**86**	337
– the related companies	**6,729**	116
	6,815	453

During the period, management income received from a related company with a common director.

During the period/year, part of the rental expenses was paid to related companies in which certain directors of the Company or certain directors of the Company's subsidiary have indirect equity interests.

These transactions were conducted in the ordinary course of business and negotiated at terms agreed between the parties.

(ii) Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the period are set out in note 14 to the financial statement.

35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purpose during the period/year.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to a variety of risks which resulted from both its operating and investing activities. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

35.1 Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities as recognised at the reporting date are categorised as follows. See notes 2.8 and 2.11 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	31 December 2011 HK$'000	31 March 2011 HK$'000	**31 December 2011 HK$'000**	31 March 2011 HK$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Redemption option derivatives	**3,130**	–	**3,130**	–
Loans and receivables:				
Trade receivables	**11,443**	11,177	**–**	–
Deposits and other receivables	**11,748**	10,926	**2,101**	10,164
Amounts due from subsidiaries	**–**	–	**488,570**	35,275
Bank time deposits	**–**	1,693	**–**	–
Bank and cash balances	**123,324**	64,705	**8,806**	54,868
	149,645	88,501	**502,607**	100,307
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**54,891**	2,835	**–**	–
Other payables and accruals	**18,995**	1,661	**3,507**	928
Borrowings	**276,940**	–	**276,940**	–
Convertible notes	**45,046**	–	**45,046**	–
Amount due to a subsidiary	**–**	–	**8**	8
	395,872	4,496	**325,501**	936

35. FINANCIAL RISK MANAGEMENT (Continued)

35.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in HK$, US$, Japanese Yen ("JPY"), Canadian Dollars ("CAD"), Australian Dollars ("AUD"), Euro ("EUR"), British Pounds ("GBP"), SGD, RMB and MOP. Exposures to currency exchange rates arise from the Group's overseas sales and purchases.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the period/year, management of the Group used certain foreign currency forward contracts to hedge the exposure to foreign exchange risk.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	US$ HK$'000	JPY HK$'000	CAD HK$'000	AUD HK$'000	EUR HK$'000	GBP HK$'000	SGD HK$'000
As at 31 December 2011							
Trade receivables	**1,741**	**–**	**78**	**27**	**329**	**8**	**61**
Bank and cash balances	**533**	**3**	**5**	**31**	**443**	**28**	**50**
Trade payables	**(39,605)**	**(373)**	**–**	**–**	**(10)**	**–**	**–**
Gross exposure arising from financial assets and liabilities	**(37,331)**	**(370)**	**83**	**58**	**762**	**36**	**111**
As at 31 March 2011							
Trade receivables	7,502	–	1,295	26	2,137	–	–
Bank and cash balances	6,543	3	11	16	1,760	46	60
Trade payables	(2,792)	–	–	–	–	–	–
Gross exposure arising from financial assets and liabilities	11,253	3	1,306	42	3,897	46	60

35. FINANCIAL RISK MANAGEMENT (Continued)

35.2 Market risk (Continued)

(i) Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's loss after income tax for the period/year and accumulated losses in regards to 5% for US$, JPY, CAD, AUD, EUR, GBP and SGD for the year ended 31 March 2011 and the period from 1 April 2011 to 31 December 2011 appreciation in the Group entities' functional currencies against the respective foreign currencies. The above percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency rates taking place at the beginning of the period/year and held constant throughout the period/year.

	US$	JPY	CAD	AUD	EUR	GBP	SGD
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011							
Loss for the period and accumulated losses	**(1,867)**	**(19)**	**4**	**3**	**38**	**2**	**6**
As at 31 March 2011							
Loss for the year and accumulated losses	563	–	65	2	195	2	3

A same percentage change in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss for the period/year and accumulated losses but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements for the year ended 31 March 2010.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Exposures to foreign exchange rates vary during the period/year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

35. FINANCIAL RISK MANAGEMENT (Continued)

35.2 Market risk (Continued)

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group does not have any borrowings which bears floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances. Cash at banks earn interest at floating rates of 0.01% per annum based on the daily bank deposits rates during the period. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group continually assesses and monitors the exposure to interest rate risk. During the period, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

35.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The carrying amounts of bank and cash balances, bank time deposits, trade and other receivables and deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the directors. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the directors. When overdue balances and significant trade receivables are highlighted, the directors determine the appropriate recovery actions. It is not the Group's policy to request collateral from its customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally non-retail customers are granted credit terms ranging from 30 to 270 days (31 March 2011: 30 to 270 days). Ageing analysis of trade receivables that are not impaired is set out in note 22. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

All the Group's bank and cash balances and bank time deposits are held in the banks in Hong Kong, Singapore, the PRC and Macau. The credit risk on liquid funds is limited because the counterparties are the banks with good credit-rating.

35. FINANCIAL RISK MANAGEMENT (Continued)

35.3 Credit risk (Continued)

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

35.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The liquidity risk of the Group is managed by the cash and cash equivalents generated from operating cash flow, the placing, issue of convertible notes and short term loans when necessary. The Group has net current assets of HK$114,002,000 (31 March 2011: HK$114,335,000) and has bank and cash balances and bank time deposits of HK$123,324,000 (31 March 2011: HK$66,398,000) as at 31 December 2011. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the reporting dates of the financial liabilities, which are based on the earliest date the Group may be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than 1 year HK$'000
Group				
As at 31 December 2011				
Trade payables	**54,891**	**54,891**	**54,891**	**–**
Other payables and accruals	**18,995**	**18,995**	**18,995**	**–**
Borrowings	**276,940**	**286,970**	**286,970**	**–**
Convertible notes	**45,046**	**59,808**	**1,080**	**58,728**
	395,872	**420,664**	**361,936**	**58,728**
Group				
As at 31 March 2011				
Trade payables	2,835	2,835	2,835	–
Other payables and accruals	1,661	1,661	1,661	–
	4,496	4,496	4,496	–

35. FINANCIAL RISK MANAGEMENT (Continued)

35.4 Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than 1 year HK$'000
Company				
As at 31 December 2011				
Other payables and accruals	**3,507**	**3,507**	**3,507**	**–**
Borrowings	**276,940**	**286,970**	**286,970**	**–**
Convertible notes	**45,046**	**59,808**	**1,080**	**58,728**
Amount due to a subsidiary	**8**	**8**	**8**	**–**
	325,501	**350,293**	**291,565**	**58,728**
Company				
As at 31 March 2011				
Other payables and accruals	928	928	928	–
Amount due to a subsidiary	8	8	8	–
	936	936	936	–

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

35.5 Fair value measurements recognised in the statement financial position – Group and Company

The fair value hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

35. FINANCIAL RISK MANAGEMENT (Continued)

35.5 Fair value measurements recognised in the statement financial position – Group and Company (Continued)

The financial assets measured at fair value in the statement of financial position are grouped into fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2011				
Financial assets at fair value through profit or loss				
– Redemption option derivatives	**–**	**3,130**	**–**	**3,130**
31 March 2011				
Financial assets at fair value through profit or loss				
– Redemption option derivatives	–	–	–	–

The derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market currency and interest rates.

36. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for equity holders;

(b) to support the Group's sustainable growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to equity holders, return capital to equity holders or issue new shares. Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2011 amounted to HK$193,229,000 (31 March 2011: HK$116,316,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities. The Group's overall capital management strategy remains unchanged during the period/year.

37. EVENTS AFTER THE REPORTING DATE

(a) On 22 March 2012, an aggregate principal amount of HK$56,000,000 of the convertible notes were issued to the placees with the conversion price of HK$0.80 per conversion share, which bear interest at the rate of 3% per annum and will be redeemed by the Company on 21 March 2014 at 110% of its principal amount. The Company or any subsidiary of the Group may at any time from the first issue date redeem the convertible notes at not exceed 110% of the principal amount by 14 days prior notice to a noteholder. The Company received net proceeds of approximately HK$54,550,000 from the issue of convertible notes accordingly.

(b) On 23 March 2012, the Company entered into a subscription agreement with Lico Consultancy Limited pursuant to which Lico Consultancy Limited conditionally agreed to subscribe for the new shares of the Company for a total cash consideration of approximately HK$116 million.

On 23 March 2012, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to procure placees to subscribe for no more than 83,120,000 new shares of the Company at the placing price of HK$0.77 per share.

The details of the new shares subscription and placing mentioned above have been set out in an announcement of the Company dated 25 March 2012.