NOBLE JEWELRY HOLDINGS LIMITED

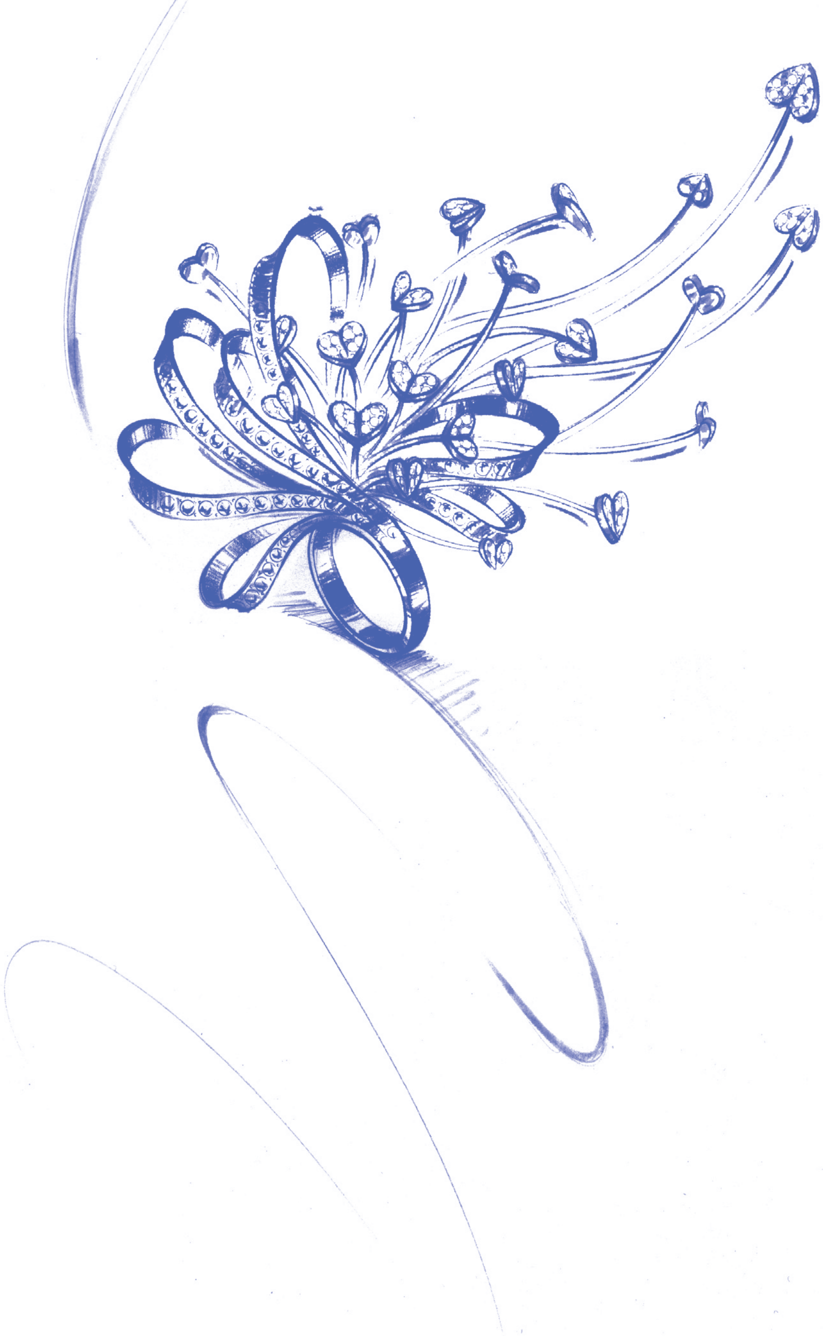
億 鑽 珠 寶 控 股 有 限 公 司

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

INTERIM REPORT 2008

Corporate Mission

To be a Leading International Jewelry
Service Provider by rendering Innovative,
Quality, Brand and Efficient Products and Services.



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Corporate Information

Board of Directors

Executive Directors

Mr. Chan Yuen Hing *(Chairman)*
Mr. Tang Chee Kwong *(Chief Executive Officer)*
Ms. Chan Lai Yung
Mr. Chan Wing Nang
Mr. Tsang Wing Ki, *FCCA, FCPA*
Mr. Yu Yip Cheong

Independent non-executive Directors

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

Audit Committee

Mr. Chan Cheong Tat *(Chairman)*
Mr. Tang Chiu Ming Frank
Mr. Yu Ming Yang

Remuneration Committee

Mr. Tang Chee Kwong *(Chairman)*
Mr. Chan Cheong Tat
Mr. Yu Ming Yang

Nomination Committee

Mr. Tang Chee Kwong *(Chairman)*
Mr. Chan Cheong Tat
Mr. Yu Ming Yang

Qualified Accountant

Mr. Tsang Wing Ki, *FCCA, FCPA*

Company Secretary

Mr. Sin Lap Poon, *ACIS, ACS*

Head Office and Principal Place of Business in Hong Kong

Unit 306–307, 3rd Floor
Lippo Sun Plaza
28 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Registered Office

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

Corporate Information (Continued)

Principal Share Registrar
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank, Limited

Compliance Adviser
Evolution Watterson Securities Limited

Legal Adviser
Stephenson Harwood & Lo

Auditor
Shu Lun Pan Horwath Hong Kong CPA Limited

Public Relations Consultant
Strategic Financial Relations Limited

Company Website
www.noble.com.hk

Stock Code
00475

Management Discussion and Analysis

Operating Results

Noble Jewelry Holdings Limited (the "Company") and it subsidiaries (collectively the "Group") were able to maintain steady business growth for the six months ended 30 September 2008 despite the challenging business environment. During the review period, the Group achieved turnover increase of 12.3% to HK$401.4 million (six months ended 30 September 2007: HK$357.4 million). This was attributable to the Group's efforts in diversifying markets and expanding its distribution network. The gross profit for the review period increased by 7.5% to HK$98.3 million as compared to HK$91.4 million for the last corresponding period. The gross profit margin for the review period slightly decreased to 24.5% (six months ended 30 September 2007: 25.6%). Net profit attributable to shareholders (including a one-off exceptional gain on disposal of office premises of HK$13.7 million) dropped by 11.1% to HK$28.1 million (six months ended 30 September 2007: HK$31.6 million). Basic earnings per share of the Company (the "Shares") were approximately HK$0.10 (six months ended 30 September 2007: HK$0.12). The board of directors of the Company (the "Board") declared an interim dividend of HK$0.02 per ordinary Share for the six months ended 30 September 2008 (six months ended 30 September 2007: HK$0.04).

Business Review

Sales Analysis by Geographical Markets

During the review period, sales grew the most in markets in the Middle East, especially Saudi Arabia. Boosted sales efforts, increased number of markets and clients, such as Qatar, attributable to market diversification strategy pushed sales in the Middle East up by 35.6% to HK$120.8 million, representing 30.1% of the total turnover. As for the European market, the strong Euro and sales contribution from new markets including the Russian Federation continued to drive sales, which rose by 9.2% to HK$110.1 million, equivalent to 27.4% of the Group's turnover for the review period. In the People's Republic of China ("China"), the Group recorded sales of HK$43.6 million, a surge of 84.7% from the last corresponding period and accounting for 10.9% of the total turnover. This was the result of dedicated efforts to expand the distribution network in China and also appreciation of the Renminbi ("RMB"). Turnover from Asian-Pacific markets (excluding China) decreased by 21.4% to HK$49.1 million and that from the American markets dropped 4.3% to HK$77.9 million as impacted by the economic slowdown sparked off by sub-prime mortgage crisis.

Sales Analysis by Business

The Original Strategy Management ("OSM'') business model has been successful to build a strong customer base and enhance the overall sales for the Group. Original Design Manufacturing ("ODM'') business maintained growth at 5.1% and brought in sales totaling HK$273.6 million, accounting for 68.2% of the Group's total turnover. Exclusive and tailor-made ODM service, an important component of the overall ODM business, achieved a turnover of HK$162.6 million, representing a significant increase of 29.0% as compared with the same period last year. During the review period, there were increasing number of generic ODM customers who succeeded in transforming their business disposition and shifted to becoming the Group's exclusive and tailor-made ODM customers, attributable to the Group's excellent OSM support effective in helping customers formulate strategies for business expansion and development that can eventually enhance their turnover. This has led to the decrease in sales to generic ODM customers but increase in overall sales of ODM business.

During the review period, the Group's Original Brand Manufacturing ("OBM'') business improved with turnover up by 31.6% to HK$127.8 million, equivalent to 31.8% of the Group's total turnover. Customer brand manufacturing business continued to improve, sales was up 45.9% to HK$94.1 million. The Group's own brands — Chad Allison and OriDiam — also recorded turnover growth by 3.1% to HK$33.7 million in total. Chad Allison's business improved for the review period after its operations were revitalised, whereas OriDiam continued to achieve organic growth in Spanish market. Brand management will continue to be a key development of the Group riding on its successful OSM operation, and the management expects OBM business to achieve steady progress and continue to contribute to margin enhancement in the long run.

Business Review (Continued)

Margin Analysis

During the review period, the Group faced challenges arising from persistently high raw material prices, appreciation of the RMB and inflation that eroded its profit margin. Despite sales increase in new markets such as China and the Russian Federation, a lower profit margin was recorded due to limited room for price rise for most customers in those markets. For the weakened markets such as the United States and Europe, price concession was granted as a means to secure market share. The Group, however, strived to alleviate the impact of those challenges and maintained gross profit margin at 24.5% (six months ended 30 September 2007: 25.6%). To mitigate the effect on cost increases, the Group focused sales efforts on quality customers with growth potential and higher profit margins, who are also able to contribute significant and steady sales revenue and bear price rise. Other ongoing practices, such as lean manufacturing, utilization of complex designs and advanced crafting techniques featuring clustered diamonds, and recycling of outmoded jewelry pieces, were all effective and will continue to help cap costs.

Additional expenses were incurred for marketing and building of own brands and establishment of retail networks, especially in China. These operations are currently under investment stage and may not contribute substantial revenue in the short run. Corresponding to the boosted clientele and more sophisticated needs of customers, staff cost of the sales and brand management team increased. Apart from that, prudent provision for bad and doubtful debts because of payment procrastination by customers in financial difficulties squeezed further the Group’s net profit margin from 8.8% to 7.0%. Excluding the one-off exceptional gain on disposal of office premises of HK$13.7 million during the reporting period, the net profit margin would be 3.6%.

Business Development in China

To facilitate expansion of business in China, in April 2008, the Group agreed to acquire a total of 20% equity interests in Shanghai City Temple The First Shopping Center Company Limited, which is commonly known in the Mainland by its brand “Chenghuang Jewellery’’, at a total consideration of approximately RMB44.3 million (HK$49.8 million). The acquisition has yet to be completed. This strategic alliance marked the significant entry of the Group into the China jewelry market.

The Group is operating a retail jewelry outlet in Northern China on trial basis which is currently undergoing its investment stage. In view of the present economic situation, the Group is reviewing the relevant business development strategy.

Participation in Exhibitions

Participation in international jewelry exhibitions is important for the Group to maintain business relations with customers worldwide and showcase its latest collections to potential customers. During the period under review, the Group participated in 17 jewelry exhibitions, including BASELWorld in Switzerland, Charm (VicenzaOro Spring) in Italy and JCK Las Vegas Show in the United States. These have extended the Group’s business reach to new markets and customers.

Participation in Industry Development and Awards

Recognized by the Hong Kong Productivity Council as the exemplary enterprise in implementing lean manufacturing operation, the Group received MBA students of the City University of Hong Kong and a delegation from the Japan Jewellery Business School at its Panyu production base. The Group demonstrated to the students the benefits of lean manufacturing and how it can help to improve production efficiency and different operations, underscoring the success of the Group as a jewelry enterprise.

Business Review (Continued)

Participation in Industry Development and Awards (Continued)

The work “Leaping Lives’’ by a designer of the Group snatched the 1st Runner-up honour in the Necklace Group of the Buyers’ Favorite Jewelry Design Competition 2008 organised by the Hong Kong Jewelry Manufacturers’ Association. The Group regards that as an industry recognition of its competence in producing superb jewelry designs.

Prospects

Overview

The Group expects the global financial crisis to continue to weigh on overall consumption sentiment and market demand for fine jewelry in the second half of the financial year. Notable impact is anticipated for the United States and European markets where consumers will spend much more cautiously. The credit crunch in the United States has begun to spread to other countries affecting demand for luxury goods like fine jewelry. On top of a shrink in demand, raw material prices are also expected to drop substantially in the coming year and this will in turn affect the profit margins in the short term due to the raw material inventory purchased at higher price levels.

The Group will adopt stringent cost control measures including sub-contracting certain production processes, stepping up lean manufacturing and reducing inventory. The Group will also closely monitor account receivables to ensure its financial health in the volatile market. Heeding possible insolvency among customers in the United States and European countries, the Group will tighten credit control, seek credit insurance coverage and continue to make adequate provision for bad and doubtful receivables.

Market Development

The Group’s consistent strategy in market diversification is paying off. It has helped to alleviate the impact of economic turmoil on the Group’s business as well as allowed the Group to spread risks from economic uncertainties across markets. The sales growth achieved in the Russian Federation, Argentina and Venezuela was evidence of successful penetration of the markets in Eastern Europe and South America by the Group. These emerging markets, the management expects, will outperform mature markets such as the United States and Europe until the markets rebound. The Group will also step up sales management efforts such as consolidating its customer base and focusing on major and financially healthy customers. It will seek to tap specific markets with growth potential and put more resources into developing distribution networks in China. The Group believes that with a strengthening foothold in China and the Chinese people becoming more demand on quality of living, it will be able to achieve significant growth in the China market. Also, the Group will strive to maintain its leadership in the Middle East, one of its primary markets with high purchasing power.

Brand Business

The Group will continue to develop its brand business with the aim of enhancing overall competitiveness in the long run. The Group plans to open its first self-operated store in Shanghai in early 2009. It will develop more self-operated stores in China at a controlled pace with the principle of avoiding excessive investment in this critical period and to make sure the stores are located at suitable and prime location. The Group will also explore opportunities of establishing a retail network in China via strategic alliance or cooperation with regional distributors or existing retailers thereby strengthen its wholesale and retail business.

Prospects (Continued)

Brand Business (Continued)

Regarding its own brand business, the growth of OriDiam is expected to slow down alongside the slumping retail market. As for Chad Allison, though still under investment stage in the United States, the revitalised operation has gradually improved and delivered better performance. The Group will continue to strengthen its brand business by upgrading the respective branding teams, enhancing product development and looking for opportunities and business partners to expand into new markets such as China in 2009.

Customer Knowledge Management

The Group is also committed to improving its OSM model and customer knowledge management in particular. Through the engagement with the Hong Kong Productivity Council, the Group implemented a Customer Knowledge Management system in 2008 to facilitate customer database management, allowing it to easily identify potential clients and better allocate resources to meet different needs of customers.

Conclusion

With no sign of improvement in the adverse market, the management expects continuous pressure on the results of the Group in the second half of the financial year and probable relatively even worse operating results in the upcoming financial year. However, the Group will continue to cautiously look for strategic business allies and collaborative opportunities that can allow it to achieve a stable and healthy financial position and sustainable growth in the long run. By adopting forward looking measures including market diversification, building of effective distribution networks, brand management and cost control, the Group is well prepared to tackle the challenges ahead.

Liquidity and Financial Resources

As at 30 September 2008, the Group's net current assets and current ratio stood at HK$238.5 million and 1.7 respectively compared to that of HK$214.5 million and 1.6 respectively as at 31 March 2008. Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) as at 30 September 2008 was increased to 61.9% from 48.5% as at 31 March 2008. The increase in net current assets for the period under review was mainly due to the increase in inventory and accounts receivable as a result of the growth in the Group's business while the increase in the net gearing ratio was mainly due to the increase in bank borrowings to partially finance an investment.

The Group's total bank borrowings, including bank overdrafts and bank loans as at 30 September 2008 was increased to at HK$222.5 million as compared to that of HK$163.3 million as at 31 March 2008.

The Group's banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK$363.7 million as at 30 September 2008, out of which approximately HK$141.2 million was unutilised.

As at 30 September 2008, the Group's cash and bank balances increased to HK$44.9 million from HK$34.2 million as at 31 March 2008.

Charges on Group Assets

As at 30 September 2008, the Group's banking facilities were secured by the Company's corporate guarantees while they were secured by the Group's land and buildings with carrying amounts of HK$19.5 million and bank fixed deposits of HK$1.1 million respectively as at 31 March 2008.

Capital Structure

As at 30 September 2008, the Group's total shareholders' funds amounted to HK$286.8 million, compared with HK$269.1 million as at 31 March 2008. For the six months ended 30 September 2008, the Group financed its liquidity requirements through a combination of shareholders' equity, cash flow as generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As of 30 September 2008, the Group has HK$35.7 million of capital commitments (31 March 2008: HK$3.2 million).

As at 30 September 2008, the Group did not have any contingent liabilities (31 March 2008: Nil).

Staff and Remuneration Policy

As at 30 September 2008, the total number of employees of the Group was approximately 1,680 employees (31 March 2008: 1,700). Staff costs for the period under review was HK$63.3 million, representing an increase of 44.2% as compared to the corresponding period ended 30 September 2007 of HK$43.9 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group has approved and adopted a share option scheme on 26 February 2007 for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group. An aggregate of 3,080,000 share options of the Company are outstanding as at the date of this interim report.

Foreign Exchange Fluctuation and Hedges

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

During the period under review, the Group entered into certain forward currency contracts. The purpose is to manage the currency risks arising from the Group's highly probable foreign currency forecast sales. Apart from the arrangement for reducing foreign currency risk with respect to Sterling Pounds after the period under review, the Group has not entered into any foreign currency forward contracts to reduce foreign exchange risk.

Interim Dividend

At a meeting held on 12 December 2008, the Board resolved to declare an interim dividend of HK$0.02 (2007: HK$0.04) per ordinary Share for the six months ended 30 September 2008 to be payable to shareholders whose names appear in the register of members of the Company on 30 December 2008. Such dividend will be payable on or about 8 January 2009.

Closure of Register of Members

The register of members will be closed from 29 December 2008, Monday, to 30 December 2008, Tuesday (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the aforesaid interim dividend, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 24 December 2008, Wednesday.

Share Option Scheme

The Company has approved and adopted a share option scheme on 26 February 2007 for its employees and other eligible participants with a view to provide an incentive to or as a reward for their contribution to the Group. Details of the movements of share options granted during the period under review and outstanding as at 30 September 2008 are as follows:

	Number of share options								
	At 1 April 2008	Grant during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2008	Date of Grant	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors:									
Chan Yuen Hing	100,000	—	—	—	100,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	100,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Tang Chee Kwong	100,000	—	—	—	100,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	100,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Chan Lai Yung	100,000	—	—	—	100,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	100,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Chan Wing Nang	75,000	—	—	—	75,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	—	—	—	75,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Tsang Wing Ki	75,000	—	—	—	75,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	—	—	—	75,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Yu Yip Cheong	100,000	—	—	—	100,000	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	100,000	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Total Directors	1,100,000	—	—	—	1,100,000				

Share Option Scheme (Continued)

	Number of share options								
	At 1 April 2008	Grant during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2008	Date of Grant	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Employees	**1,130,000**	—	—	140,000	**990,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	1,130,000	—	—	140,000	**990,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Total Employees	**2,260,000**	—	—	280,000	**1,980,000**				
Total All Categories	**3,360,000**	—	—	280,000	**3,080,000**				

Directors' Interests and Short Positions in Shares

As at the date of this interim report, the interests and short positions of the directors of the Company ("Director(s)") and their associates in the Shares and underlying Shares as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Long Positions

Ordinary Shares of HK$0.01 each

Name of Directors	Capacity	Number of issued ordinary Shares held (including underlying Shares) *(Note 1)*	Percentage of the issued ordinary share capital of the Company
Mr. Chan Yuen Hing	*(Note 2)*	173,292,000	63.78%
Mr. Tang Chee Kwong	Beneficial owner	5,202,000	1.91%
Ms. Chan Lai Yung	*(Note 3)*	2,802,000	1.03%
Mr. Chan Wing Nang	Beneficial owner	150,000	0.06%
Mr. Tsang Wing Ki	Beneficial owner	310,000	0.11%
Mr. Yu Yip Cheong	Beneficial owner	2,846,000	1.05%

Directors' Interests and Short Positions in Shares (Continued)

Long Positions (Continued)

Ordinary Shares of HK$0.01 each (Continued)

Notes:

(1) The share options granted by the Company to Directors which are outstanding as shown in the section Share Option Scheme of this interim report has been included in the long positions of respective Directors.

(2) Mr. Chan Yuen Hing had a direct interest of 200,000 Shares which are outstanding share options granted by the Company to subscribe for 200,000 Shares at exercise price of HK$1.27 per Share, a deemed interest of 192,000 Shares and 172,900,000 Shares held by his spouse, Ms. Chiu Nga Fong and First Prospect Holdings Limited ("First Prospect"), a company wholly-owned by Mr. Chan Yuen Hing, respectively within the meaning of Part XV of the SFO.

(3) Ms. Chan Lai Yung had a direct interest of 2,800,000 Shares among which, 200,000 Shares are outstanding share options granted by the Company to subscribe for 200,000 Shares at exercise price of HK$1.27 per Share and a deemed interest of 2,000 Shares held by her spouse, Mr. Kok Sui Sing within the meaning of Part XV of the SFO.

Save as disclosed above, as at the date of this interim report, no interest and short position in the Shares or underlying Shares were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Substantial Shareholders' Interests in Shares

As at the date of this interim report, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders have notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Ordinary Shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary Shares held	Percentage of the issued ordinary share capital of the Company
First Prospect	*(Note 1)*	172,900,000	63.64%
Mr. Yau John Siu Ying	*(Note 2)*	22,342,000	8.22%

Notes:

(1) The entire issued share capital of First Prospect is owned by Mr. Chan Yuen Hing. Mr. Chan is deemed to be interested in all the Shares in which First Prospect is interested by virtue of the SFO.

(2) Mr. Yau John Siu Ying had a direct interest of 13,884,000 Shares and a deemed interest of 8,458,000 Shares held by Barton Company Limited, a company wholly-owned by Mr. Yau John Siu Ying, within the meaning of the SFO.

Substantial Shareholders' Interests in Shares (Continued)

Long Positions (Continued)

Ordinary Shares of HK$0.01 each of the Company (Continued)

Save as disclosed above, as at the date of this interim report, no other parties, other than the Directors whose interests are set out in the section "Directors' Interests and Short Positions in Shares" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles and complied with all the applicable code provisions set out in the Code throughout the six months ended 30 September 2008.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2008.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code set out in Appendix 14 to the Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang. The Group's unaudited interim results for the six months ended 30 September 2008 have been reviewed and approved by the audit committee at an audit committee meeting held on 12 December 2008 with all committee members attended the meeting.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Shares during the six months ended 30 September 2008.

On behalf of the Board

Chan Yuen Hing
Chairman

Hong Kong, 12 December 2008

Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
Turnover	3	**401,409**	357,377
Cost of sales		**(303,100)**	(265,946)
Gross profit		**98,309**	91,431
Other revenue	3	**1,910**	1,525
Distribution costs		**(18,171)**	(15,875)
Administrative expenses		**(56,277)**	(36,542)
Other gains and losses	4	**14,414**	96
Operating profit	5	**40,185**	40,635
Finance costs	6	**(5,102)**	(6,191)
Share of results of associates		**(3,263)**	647
Profit before taxation		**31,820**	35,091
Taxation	7	**(3,724)**	(3,496)
Profit for the period attributable to the equity holders of the Company		**28,096**	31,595
Dividends	8	**5,434**	10,868
Basic earnings per Share (HK$)	9	**0.10**	0.12

Consolidated Balance Sheet

At 30 September 2008

	Notes	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**49,322**	34,524
Associates		**11,882**	16,435
Intangible assets		**—**	2,697
Deposit paid for acquisition of an associate	10	**15,076**	—
Deposit paid for acquisition of a property		**—**	7,480
Deferred tax assets		**1,298**	1,824
		77,578	62,960
Current assets			
Inventories		**349,849**	306,325
Accounts receivable	11	**166,454**	136,437
Other receivables, deposits and prepayments		**20,113**	16,503
Amounts due from related companies		**21,940**	11,903
Cash at banks and in hand		**44,880**	34,157
		603,236	505,325
Non-current assets classified as held for sale		**—**	46,769
Total current assets		**603,236**	552,094
Current liabilities			
Bank borrowings	12	**193,281**	155,077
Accounts payable	13	**136,200**	139,291
Other payables and accrued charges		**30,779**	33,490
Obligations under finance leases		**119**	119
Derivative financial instruments		**197**	5,697
Tax payables		**4,149**	3,936
Total current liabilities		**364,725**	337,610
Net current assets		**238,511**	214,484
Total assets less current liabilities		**316,089**	277,444
Non-current liabilities			
Bank borrowings	12	**29,237**	8,186
Obligations under finance leases		**100**	159
		29,337	8,345
Net assets		**286,752**	269,099
Equity			
Share capital	14	**2,717**	2,717
Reserves		**284,035**	266,382
Total equity		**286,752**	269,099

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Unaudited								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008	2,717	79,836	1,593	1,445	31,634	6,318	(4,327)	149,883	269,099
Exchange difference arising on translation of foreign operations	—	—	—	—	—	1,532	—	—	1,532
Net change in cash flow hedge: effective portion	—	—	—	—	—	—	4,327	—	4,327
Net income for the period recognised directly in equity	—	—	—	—	—	1,532	4,327	—	5,859
Profit for the period	—	—	—	—	—	—	—	28,096	28,096
Total recognised income and expenses for the period	—	—	—	—	—	1,532	4,327	28,096	33,955
Dividend paid	—	—	—	—	—	—	—	(16,302)	(16,302)
At 30 September 2008	2,717	79,836	1,593	1,445	31,634	7,850	—	161,677	286,752

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2008

	Unaudited							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007	200	—	1,593	1,445	30,874	1,309	116,426	151,847
Exchange difference arising on translation of foreign operations	—	—	—	—	—	1,204	—	1,204
Profit for the period	—	—	—	—	—	—	31,595	31,595
Total recognised income and expenses for the period	—	—	—	—	—	1,204	31,595	32,799
Capitalisation issue	1,880	(1,880)	—	—	—	—	—	—
Placing and public offer	520	77,480	—	—	—	—	—	78,000
Issue of Shares upon the exercise of the over-allotment option	117	17,433	—	—	—	—	—	17,550
Share issue expenses	—	(13,182)	—	—	—	—	—	(13,182)
Dividend paid	—	—	—	—	—	—	(16,302)	(16,302)
At 30 September 2007	2,717	79,851	1,593	1,445	30,874	2,513	131,719	250,712

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Net cash used in operating activities	**(83,750)**	(10,748)
Net cash generated from/(used in) investing activities	**53,659**	(4,143)
Net cash generated from financing activities	**40,840**	58,863
Increase in cash and cash equivalents	**10,749**	43,972
Effect of change in foreign exchange rate	**(982)**	154
Cash and cash equivalents at beginning of period	**32,826**	9,551
Cash and cash equivalents at end of period	**42,593**	53,677
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**44,880**	54,758
Less: Pledged bank deposits	**—**	(1,081)
Bank overdraft	**(2,287)**	—
	42,593	53,677

Notes to the Financial Statements

1. Organisation and Operation

The Company was incorporated and registered as an exempted company with limited liability on 25 August 2006 under the Companies Law of the Cayman Islands and acts as an investment holdings company. Its Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 April 2007. Its registered office is situate at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in the design, manufacturing and trading of fine jewelry products.

The unaudited consolidated interim financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of Preparation of Financial Statements and Accounting Policies

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirement of Appendix 16 of the Listing Rules. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008.

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, that are relevant to its operations and effective for the current reporting period.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) — Int 15	Agreements for construction of real estate	1 January 2009
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	1 October 2008

The Group considered that the adoption of the new and revised HKFRSs has had no material impact on the Group's unaudited consolidated interim financial statements for the six months ended 30 September 2008.

3. Turnover, Other Revenue and Segment Information

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

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover		
Sales	**401,409**	357,377
Other revenue		
Sundry income	**1,496**	397
Bank interest income	**271**	914
Management fee income	**143**	214
	1,910	1,525
Total revenue	**403,319**	358,902

(b) Business segments

No segment analysis by business segment is presented as the Group principally operates in one business segment, which is the design, manufacturing and trading of fine jewelry products.

(c) Geographical segments

An analysis by geographical segment was as follows:

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover		
— Hong Kong	**8,842**	21,522
— Japan	**16,297**	19,764
— America	**77,923**	81,352
— Europe	**110,076**	100,782
— The Middle East	**120,783**	89,080
— China	**43,575**	23,402
— Others — Asian Pacific countries	**23,913**	21,475
	401,409	357,377

4. Other Gains and Losses

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net fair value gains of forward currency contracts not qualifying as hedges	**378**	—
Net fair value losses of forward currency contracts as hedging instruments	**(122)**	—
Loss on settlement of forward currency contracts upon maturity	**(1,842)**	—
Gain on disposal of property, plant and equipment	**16,000**	96
Net gains	**14,414**	96

5. Operating Profit

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of goods sold	**303,100**	265,946
Depreciation of property, plant and equipment	**3,266**	3,249
Staff costs (including Directors' remuneration)	**63,259**	43,895
Provision for bad and doubtful debts	**6,430**	678
Exchange losses, net	**468**	840
Impairment of intangible assets	**2,697**	—

6. Finance Costs

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	**3,521**	5,077
Finance lease charges	**7**	—
Bank charges	**1,574**	1,114
	5,102	6,191

7. Taxation

Taxation in the consolidated income statement represents:

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong	**3,476**	3,325
Current tax — Overseas	**535**	661
	4,011	3,986
Deferred taxation	**(287)**	(490)
	3,724	3,496

8. Dividends

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interim dividend of HK$0.02 per ordinary Share declared *(note a)*	**5,434**	10,868

(a) The interim dividend declared after the balance sheet date has not been recognized as liabilities at the balance sheet date. The interim dividend will be paid on or about 8 January 2009 to the shareholders whose names appear on the register of members of the Company on 30 December 2008.

(b) Final dividend of HK$0.06 per ordinary Share in respect of the financial year ended 31 March 2008, which totaled HK$16,302,000 was approved and paid during the period.

9. Earnings Per Share

The calculation of basic earnings per Share for the six months ended 30 September 2008 is based on the profit attributable to the equity holders of the Company of HK$28,096,000 (six months ended 30 September 2007: HK$31,595,000) and the weighted average of 271,700,000 (six months ended 30 September 2007: 265,619,126) Shares in issue during the period.

No diluted earnings per Share for the period ended 30 September 2008 has been presented as the share options outstanding during the period had no dilutive effect on the basic earnings per Share for the period. No dilutive earnings per Share for the period ended 30 September 2007 had been calculated as no diluting events existed for that period.

10. Deposit Paid for Investment in an Associate

The balance represents a payment of a deposit for acquisition of an associate in the China.

On 18 April 2008, the Company's wholly-owned subsidiary, Guangzhou Sinoble Jewelry Limited ("Guangzhou Sinoble"), as the purchaser, entered conditionally into three separate agreements, whereby Guangzhou Sinoble agreed to purchase from two independent third parties and Mr. Zhao De Hua, an ex-independent non-executive Director (the "Vendors"), the equity interest in上海城隍廟第一購物中心有限公司 (Shanghai City Temple The First Shopping Center Company Limited) ("Chenghuang Jewellery") in aggregate of 20% at a total consideration of approximately RMB44.3 million (equivalent to approximately HK$49.8 million), details of which were disclosed in the Company's announcement and circular dated 18 April 2008 and 9 May 2008 respectively. As at 30 September 2008, the Group had paid RMB13.3 million (equivalent to HK$15.1 million) in aggregate to the respective Vendors as 1st and 2nd refundable deposits of 30% of the consideration.

Up to the date of approval of these financial statements, the above acquisition had not yet been completed.

11. Accounts Receivable

The Group normally allows a credit period ranging from 30 to 180 days to its customers.

All of the accounts receivable (net of allowance for bad and doubtful debts) are expected to be recovered within one year.

An ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) is as follows:

	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
Within 1 month	**70,100**	44,486
Over 1 month but within 3 months	**42,371**	45,791
Over 3 months but within 6 months	**34,847**	34,585
Over 6 months but within 1 year	**18,240**	10,765
Over 1 year	**896**	810
	166,454	136,437

12. Bank Borrowings

	30 September 2008 (Unaudited) HK$'000	31 March 2008 (Audited) HK$'000
Bank overdrafts	**2,287**	233
Bank loans	**56,502**	25,166
Discounted bills with recourse	**7,856**	3,523
Trust receipts and export loans	**155,873**	134,341
	222,518	163,263
The borrowings are repayable as follows:		
On demand or within one year	**193,281**	155,077
After one year but within two years	**14,410**	3,811
After two years but within five years	**14,827**	4,375
	222,518	163,263
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(193,281)**	(155,077)
Amount due for settlement after 12 months	**29,237**	8,186

As at 30 September 2008, the Group's banking facilities were secured by the Company's corporate guarantees while they were secured by the Group's land and buildings with carrying amounts (included in non-current assets classified as held for sale) of HK$19.5 million and bank fixed deposits of HK$1.1 million respectively as at 31 March 2008.

The maturity date of the discounted bills with recourse is within three to six months from inception date of the discounted bills.

13. Accounts Payable

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

	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
Within 1 month	**38,967**	43,015
Over 1 month but within 3 months	**45,983**	43,259
Over 3 months but within 6 months	**48,647**	52,913
Over 6 months	**2,603**	104
	136,200	139,291

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

14. Share Capital

	Number of Shares	Amount HK$'000
Share with nominal value of HK$0.01 each		
Authorised:		
As at 31 March 2008 and 30 September 2008	**10,000,000,000**	100,000
Issued and fully paid:		
At 31 March 2008 and 30 September 2008	**271,700,000**	2,717

15. Commitments

(a) Operating lease arrangements

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Minimum lease payments paid under operating leases	**4,265**	2,268

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within one year	**7,908**	4,882
In the second to fifth years inclusive	**8,286**	7,279
	16,194	12,161

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease is negotiated for a term of one to five years at fixed rentals.

(b) Capital commitment

Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Contracted for		
— acquisition of an associate	**35,177**	—
— acquisition of property, plant and equipment	**557**	3,198
	35,734	3,198

16. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following significant transactions with its related parties during the period:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Recurring transactions		
Sale of goods to Noblediam SL in which the Group has beneficial interest *(note i)*	**21,480**	21,241
Management fees received from Noblediam SL in which the Group has beneficial interest *(note ii)*	**45**	94
Sale of goods to Pesona Noble Jewelry Limited in which the Group has beneficial interest *(note i)*	**1,495**	1,130
Management fees received from Pesona Noble Jewelry Limited in which the Group has beneficial interest *(note ii)*	**120**	120
Rental, utilities charges and building management fees paid to Guangzhou Weile Jewelry Industrial Park in which Mr. Chan Yuen Hing has beneficial interests *(note iii)*	**112**	159
Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan Yuen Hing has beneficial interests *(note iii)*	**442**	—

Notes:

(i) Sale of goods was determined at cost of materials and production cost plus a percentage of mark-up.

(ii) Management fee income received was agreed by both parties at a fixed sum or cost incurred.

(iii) The rental, utilities charges and building management fees were paid pursuant to the respective lease agreements.

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

17. Subsequent Event

On 5 December 2008, the Company's wholly-owned subsidiary, Guangzhou Sinoble, entered into the joint venture agreement with two independent third parties relating to the formation of a joint venture company ("JV Company") with registered capital of RMB10 million for the purpose of establishing distribution networks with retail outlets for distribution and sale of jewelry products in China. The JV Company will be owned as to 30% by Guangzhou Sinoble and 70% by one of the joint venture partners respectively.