

 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 **2009**

# 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*

### 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

## 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 609  
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

### Legal Adviser

Stephenson Harwood & Lo

### Auditor

BDO Limited

### Company Website

[www.noble.com.hk](http://www.noble.com.hk)

### Stock Code

00475



# Management Discussion and Analysis

## Operating Results

At the continuous efforts of governments around the world to stimulate their economies, the global economic downturn has started to ease in the second quarter of 2009 and overall consumption sentiment has gradually improved, a trend favorable to jewelry business worldwide. The trend plus efforts of Noble Jewelry Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) in diversifying markets and customer segments, expanding distribution networks and implementing prudent business strategies and stringent cost control had mitigated the adverse effects of the economic slowdown and contributed to the improved business performance of the Group against the second half of fiscal year 2008/2009.

For the six months ended 30 September 2009, the Group recorded turnover of HK\$243.2 million (six months ended 30 September 2008: HK\$401.4 million). Gross profit was HK\$61.5 million (six months ended 30 September 2008: HK\$98.3 million), whereas net profit attributable to equity holders of the Company was HK\$1.4 million (six months ended 30 September 2008: HK\$28.1 million). Basic earnings per share of the Company were approximately 0.5 HK cents (six months ended 30 September 2008: 10.3 HK cents).

To reserve cash, the board of directors of the Company (the “Board”) did not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: 2.0 HK cents per ordinary share).

## Business Review

### Sales Analysis by Geographical Market

During the period under review, the Group continued to diversify markets and customer segments and as a result secured new markets and clients as well as boosted sales. Europe with improved consumption sentiment reported sales of HK\$73.3 million, representing 30.1% of the Group’s total turnover. The Middle East recorded sales of HK\$67.7 million, representing 27.8% of the Group total. The American markets recorded sales of HK\$43.4 million, representing 17.9% of the total turnover. Sales to PRC improved against the second half of fiscal year 2008/2009 to HK\$18.9 million, accounting for 7.8% of the total turnover. Sales to Asian-Pacific markets (excluding the PRC) were HK\$39.9 million, representing 16.4% of the Group total. During the period, the Group continued to expand its distribution networks in several new markets with strong growth potential in South America and Eastern Europe. As for new markets already secured such as Italy, Monaco and Nigeria, their performances were steady.

### Sales Analysis by Business

Original design manufacturing (“ODM”) and original brand manufacturing (“OBM”) services, grouped under the Group’s wholesale business, recorded total sales of HK\$227.3 million, accounting for 93.5% of the Group’s total turnover. With the customer knowledge management (“CKM”) system helping to consolidate customer database management, the Group can effectively focus resources on serving major and financially healthy customers. Furthermore, the original strategy management (“OSM”) model continued to render comprehensive support to customers facilitating formulation of business expansion and development strategies, thereby contributed steady returns to the Group during the period despite the economic downturn.

The Group’s brand business reported total sales of HK\$13.6 million, accounting for 5.6% of the Group’s total turnover. The brand business, including retail and product brand segments, is core to the future development of the Group. Of all the fine jewelry brands owned by the Group, the businesses of the US brand Chad Allison and Spanish brand OriDiam improved in the third quarter of 2009, although impaired by the poor market sentiment in the US and Europe in the second quarter of 2009. Encouraged by the first directly operated store (“DOS”) named 珍諾爾 that opened in Shanghai in January, the Group opened another two DOS in Eastern China in the third quarter of 2009 to boost its retail brand business in the Mainland market. The Group also continued to enhance the positioning of the designer collection LAVITA, which together with its DOS, are expected to be a strong growth driver of the retail business as well as of the Group in the long run. Moreover, sales network collaboration business which the Group commenced recently reported sales of HK\$2.3 million, representing 0.9 % of the total turnover for the period under review.





# Management Discussion and Analysis (Continued)

## Business Review (Continued)

### Margin Analysis

The business environment was still challenging during the review period, with the global market stagnant and the worldwide economy yet to be on steady strides to recovery. Nevertheless, the Group was able to maintain gross profit margin at 25.3% (six months ended 30 September 2008: 24.5%) with net profit margin at 0.2% and reporting a slight profit. These performances were attributable to effective cost control measures including streamlining operation, subcontracting certain production processes, lowering administration expenses and inventory level as well as improving receivable collection. Proven practices of the Group such as lean manufacturing, advanced and cost effective design techniques for crafting clustered diamonds, and recycling of outmoded jewelry pieces also helped alleviate cost pressure. All these factors together had effectively braced the financial health of the Group in the volatile market.

During the review period, the Group explored various new businesses with prudence. In May 2009, the Group formed a joint venture in which it owns 70% equity interest to establish a retail platform and explore jewelry road show business in Sam's Club operated by Wal-Mart in the US, marking the beginning of the Group's sales network business. This new business mode, together with the development of brand and retail business in the PRC market, had pushed up operation and promotion costs. All these endeavors, at investment stage, had weakened the Group's net profit margin provisionally.

### Sales Network Development

Our road show business, a sales network collaboration business within Sam's Club in the US, has been in operation since the third quarter of 2009. Riding on the famous brand name and strong sales networks of Sam's Club, the Group expects to present its competitively-priced products directly to retail customers in the US and enjoy better profit margins.

Also, in the PRC, the Group expanded its sales network by forming a joint venture with a local distributor in Shandong Province in March 2009, which has allowed it to use the distributor's well-established customer base to enhance its wholesale business and retail operations in the province. The move is paving the way for the Group to expand its sales network business to other provinces in the PRC in the long run.

## Prospects

Although the global economy showed signs of recovery in the third quarter of 2009, uncertainty was still looming. Adopting prudent development strategies and stringent cost control measures, the Group was able to withstand the challenges left by the financial crisis that hit the luxury goods industry particularly hard in the first half of fiscal year 2009/2010. With the global economy slowly improving, the Group will continue to cautiously explore new business initiatives while cementing its foundation to prepare for a speedy revival when the economy rebounds.

### Wholesale Business

The Group will step up research and development efforts to facilitate widening of product mix for catering ever-changing market needs. Applying its proven market diversification strategy, which has helped expand its customer segments, the Group will strive to take its wholesale business into potential-rich new markets in Europe, the Middle East and PRC, and consolidate new markets in countries in South America, the Russian Federation and Asia. To optimize resources utilization, the Group will keep enhancing its CKM system which will allow it to strengthen customer database management and, with support of OSM services, focus on serving financially healthy customers with development potential.



# Management Discussion and Analysis (Continued)

## Prospects (Continued)

### Sales Network Collaboration

To boost its road show business, the Group will increase the number of point-of-sales on the Sam's Club retail platform in the US market and expand sales network business in the PRC market leveraging the customer base of its joint venture partner in Shandong Province. Furthermore, the Group will explore collaboration with its strategic partner Shanghai City Temple The First Shopping Center Company Limited (commonly known for its brand "Chenghuang Jewellery") in developing retail operations. Growing its sales network is a key initiative of the Group to boost direct sales revenue and margins. The Group will continue to explore opportunities to collaborate with leading retail chain stores or sales network operators to grow its Business-to-Business-to-Customers ("B2B2C") operations in the Mainland China and overseas.

### Retail Business

The PRC market with ample untapped potential will continue to be the key area for the Group to expand retail business. By the third quarter 2009, the Group had three DOS in operation featuring medium to high-end jewelry of its retail and designer brands. To continue to penetrate the China jewelry retail market, the Group will open more DOS at prime locations in Eastern China by the end of this fiscal year.

### Brand Business

The Group will use the solid DOS platform to introduce the established overseas brands it owns into the PRC – the US brand Chad Allison, designer brand LAVITA and Spanish brand OriDiam. Its hope is to establish over time a strong reputation as a brand distributor in the Mainland market. Furthermore, with the support of its extensive worldwide sales networks in different regions including the US and PRC, the Group plans to launch brand distribution business in overseas markets by the end of this fiscal year.

### Operation System Enhancement

To capture market shares in the gradually recovering global economy, the Group will consolidate its fundamentals and strive for a business revival. It has expanded sub-contracting of production processes, hence enhanced productivity. In addition, the Group is shifting its operation in Hong Kong to its PRC logistics base so as to minimize operating cost, facilitate direct communication and knowledge transfer between staff members in Hong Kong and the Mainland.

With various business strategies and operating system in smooth running giving it the ability to offer tailor-made services with higher profit margins and boasting strong product development capability, the Group has a strong foundation for development in the long run. Aiming for better returns and long term growth, the Group will continue to explore new modes of collaboration and operation that can allow it to reach different wholesale and retail customers. It will also continue its efforts in cost control to ensure the healthy and sustainable growth of its businesses.





# Management Discussion and Analysis (Continued)

## Liquidity and Financial Resources

As at 30 September 2009, the Group's liquidity position was maintained, as a result of the stringent cost control, at a level to minimise the adverse impact of the economic downturn.

As at 30 September 2009, the Group's net current assets and current ratio stood at HK\$167.8 million and 1.9 respectively (31 March 2009: HK\$163.0 million and 1.7 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity less other intangible assets) was 46.3% as at 30 September 2009 (31 March 2009: 57.3%). The increase in net current assets and the decrease in net gearing ratio for the period under review were mainly attributable to the decrease in bank borrowing during the period.

The Group's total bank borrowings including bank overdrafts and bank loans as at 30 September 2009 were decreased by 18.2% over last year to HK\$131.0 million (31 March 2009: HK\$160.1 million), of which the total bank borrowings in US dollar amounted to US\$0.3 million (31 March 2009: US\$2.1 million). The Group has entered into interest-rate swaps contract to reduce the interest rate risk of a bank loan.

The Group's banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK\$307.3 million as at 30 September 2009, out of which approximately HK\$176.3 million was unutilised.

As at 30 September 2009, the Group's cash and bank balances amounted to HK\$12.7 million (31 March 2009: HK\$14.3 million).

## Charges on Group Assets

As at 30 September 2009 and 31 March 2009, the Group's banking facilities were not secured by any of the Group's assets.

## Capital Structure

For the period ended 30 September 2009, the Group financed its liquidity requirements through a combination of cash flow as generated from operation and bank borrowings.

## Capital Commitment and Contingent Liabilities

As at 30 September 2009, the Group had HK\$3.8 million of capital commitments (31 March 2009: HK\$2.9 million).

As at 30 September 2009, the Group did not have any contingent liabilities (31 March 2009: Nil).



# Management Discussion and Analysis (Continued)

## Staff and Remuneration Policy

As at 30 September 2009, the Group had approximately 944 employees (31 March 2009: 1,080). Staff costs for the period under review was HK\$44.7 million, representing a decrease of 29.4% as compared to the corresponding period ended 30 September 2008 of HK\$63.3 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 2,530,000 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, British Pounds, Euros, Japanese Yen and China Renminbi. 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 to reduce the currency risks. At 30 September 2009, the Group held certain forward currency contracts to reduce foreign currency risk to Sterling Pounds and Renminbi (31 March 2009: Nil).



# Corporate Governance and Other Information

## Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: 2.0 HK cents per ordinary share).

## Share Option Scheme

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 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 2009 are as follows:

	Number of share options					Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
	At 1 April 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2009			
Directors:								
Chan Yuen Hing	100,000	-	-	-	100,000	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	-	-	-	100,000	1 February 2011 to 31 January 2012	1.27	1.27
Tang Chee Kwong	100,000	-	-	-	100,000	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	-	-	-	100,000	1 February 2011 to 31 January 2012	1.27	1.27
Chan Lai Yung	100,000	-	-	-	100,000	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	-	-	-	100,000	1 February 2011 to 31 January 2012	1.27	1.27
Chan Wing Nang	75,000	-	-	-	75,000	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	-	-	-	75,000	1 February 2011 to 31 January 2012	1.27	1.27
Tsang Wing Ki	75,000	-	-	-	75,000	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	-	-	-	75,000	1 February 2011 to 31 January 2012	1.27	1.27
<b>Total Directors</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>900,000</b>			
Employees	915,000	-	-	100,000	815,000	1 February 2010 to 31 January 2012	1.27	1.27
	915,000	-	-	100,000	815,000	1 February 2011 to 31 January 2012	1.27	1.27
<b>Total Employees</b>	<b>1,830,000</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>1,630,000</b>			
<b>Total All Categories</b>	<b>2,730,000</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>2,530,000</b>			



# Corporate Governance and Other Information (Continued)

## 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 ("Directors") 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%

Notes:

- (1) The share option granted by the Company to Directors which are outstanding as shown under the section "Share Option Scheme" of this interim report have 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 interests 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.



# Corporate Governance and Other Information (Continued)

## 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 and their associates, 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

Name of shareholder	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 Yuen Hing 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.

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 2009.

## 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 2009.



## Corporate Governance and Other Information (Continued)

### 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 2009 have been reviewed and approved by the audit committee at an audit committee meeting held on 11 December 2009 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 2009.

On behalf of the Board

**Chan Yuen Hing**  
*Chairman*

Hong Kong, 11 December 2009





# Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Notes	Six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	3	243,178	401,409
Cost of sales		(181,709)	(303,100)
<b>Gross profit</b>		<b>61,469</b>	<b>98,309</b>
Other revenue	3	5,007	1,910
Distribution costs		(16,150)	(18,171)
Administrative expenses		(45,647)	(56,277)
Other gains and losses	4	(296)	14,414
Finance costs	5	(2,991)	(5,102)
Share of losses of associates, net		(116)	(3,263)
<b>Profit before taxation</b>	<b>6</b>	<b>1,276</b>	<b>31,820</b>
Taxation	7	(736)	(3,724)
<b>Profit for the period</b>		<b>540</b>	<b>28,096</b>
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		610	1,532
Cash flow hedge: net movement in the hedging reserve		–	4,327
Net value gain on available-for-sale investment		26	–
<b>Other comprehensive income for the period, net of tax</b>		<b>636</b>	<b>5,859</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,176</b>	<b>33,955</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		1,447	28,096
Minority interests		(907)	–
		<b>540</b>	<b>28,096</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		2,083	33,955
Minority interests		(907)	–
		<b>1,176</b>	<b>33,955</b>
Dividends	8	–	5,434
<b>Earnings per share (HK cents) – basic and diluted</b>	<b>9</b>	<b>0.53</b>	<b>10.34</b>



# Consolidated Statement of Financial Position

At 30 September 2009

	Notes	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
<b>Assets and liabilities</b>			
<b>Non-current assets</b>			
Property, plant and equipment		48,121	49,004
Associates		61,668	62,874
Deposits		1,022	1,257
Available-for-sale investment	10	2,082	–
Deferred tax assets		1,190	1,105
		<b>114,083</b>	114,240
<b>Current assets</b>			
Inventories		192,898	250,615
Accounts receivable	11	120,537	107,255
Other receivables, deposits and prepayments		16,235	15,756
Amounts due from related parties		20,675	8,700
Cash at banks and in hand		12,675	14,344
		<b>363,020</b>	396,670
<b>Current liabilities</b>			
Bank borrowings	12	104,687	137,262
Accounts payable	13	59,822	47,461
Other payables and accrued charges		28,318	43,681
Amounts due to related parties		1,324	4,363
Obligations under finance leases		100	119
Derivative financial instruments		302	–
Tax payables		701	806
		<b>195,254</b>	233,692
<b>Net current assets</b>		<b>167,766</b>	162,978
		<b>281,849</b>	277,218
<b>Equity</b>			
Share capital	14	2,717	2,717
Reserves		253,693	251,610
<b>Equity attributable to equity holders of the Company</b>		<b>256,410</b>	254,327
<b>Minority interests</b>		(895)	–
<b>Total equity</b>		<b>255,515</b>	254,327
<b>Non-current liabilities</b>			
Bank borrowings	12	26,334	22,851
Obligations under finance leases		–	40
		<b>26,334</b>	22,891
		<b>281,849</b>	277,218



# Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Unaudited Property			Exchange reserve HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total Equity HK\$'000
					revaluation reserve HK\$'000	Revaluation reserve HK\$'000							
At 1 April 2009	2,717	79,836	1,593	1,445	-	-	7,625	-	161,111	254,327	-	254,327	
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	-	-	12	12	
Total comprehensive income for the period	-	-	-	-	-	26	610	-	1,447	2,083	(907)	1,176	
At 30 September 2009	2,717	79,836	1,593	1,445	-	26	8,235	-	162,558	256,410	(895)	255,515	
At 1 April 2008	2,717	79,836	1,593	1,445	31,634	-	6,318	(4,327)	149,883	269,099	-	269,099	
Dividend paid	-	-	-	-	-	-	-	-	(16,302)	(16,302)	-	(16,302)	
Total comprehensive income for the period	-	-	-	-	-	-	1,532	4,327	28,096	33,955	-	33,955	
At 30 September 2008	2,717	79,836	1,593	1,445	31,634	-	7,850	-	161,677	286,752	-	286,752	



# Condensed Consolidated Statement of Cash Flow

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>31,132</b>	(83,750)
<b>Net cash (used in)/ generated from investing activities</b>	<b>(3,655)</b>	53,659
<b>Net cash (used in)/generated from financing activities</b>	<b>(26,614)</b>	40,840
<b>Increase in cash and cash equivalents</b>	<b>863</b>	10,749
<b>Effect of change in foreign exchange rate</b>	<b>4</b>	(982)
<b>Cash and cash equivalents at beginning of period</b>	<b>7,887</b>	32,826
<b>Cash and cash equivalents at end of period</b>	<b>8,754</b>	42,593
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>12,675</b>	44,880
Less: Bank overdrafts	<b>(3,921)</b>	(2,287)
	<b>8,754</b>	42,593



# 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 holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its registered office is situated 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 condensed 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 condensed consolidated interim financial statements have been prepared on historical cost basis and in accordance with Hong Kong Accounting Standard 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 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC)”), which are effective for the current period’s unaudited condensed consolidated interim financial statements.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 18	Transfers of assets from customers

Apart from the above, the HKICPA has issued improvements to HKFRSs which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.



## Notes to the Financial Statements (Continued)

### 2. Basis of Preparation of Financial Statements and Accounting Policies (Continued)

Except for HKAS 1 (Revised) and HKFRS 8 giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated interim financial statements.

#### HKAS 1 (Revised) *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. The Group has elected to present one statement.

#### HKFRS 8 *Operating Segment*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting (See Note 3).

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but are not yet effective:

HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issue <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Revised)	First-time adoption of HKFRSs <sup>1</sup>
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>3</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners <sup>1</sup>
Various	Annual improvements to HKFRS 2009 <sup>4</sup>

#### **Effective date**

- 1 Annual periods beginning on or after 1 July 2009
- 2 Annual periods beginning on or after 1 February 2010
- 3 Annual periods beginning on or after 1 January 2010
- 4 Annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate





## Notes to the Financial Statements (Continued)

### 3. Turnover, Other Revenue and Segment Information

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

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Turnover</b>		
Sales	243,178	401,409
<b>Other revenue</b>		
Exchange gain	4,063	–
Sundry income	718	1,496
Management fee income	213	143
Bank interest income	13	271
	<b>5,007</b>	<b>1,910</b>
<b>Total revenue</b>	<b>248,185</b>	<b>403,319</b>

- (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 is as follows:

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover		
– Europe	73,285	110,076
– The Middle East	67,659	120,783
– America	43,393	77,923
– Others	22,953	23,913
– The People's Republic of China, other than Hong Kong ("PRC")	18,909	43,575
– Japan	13,905	16,297
– Hong Kong	3,074	8,842
	<b>243,178</b>	<b>401,409</b>



## Notes to the Financial Statements (Continued)

### 4. Other Gains and Losses

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net fair value (losses)/gains on derivative financial instruments:		
– forward currency contracts and interest-rate swaps:		
transactions not qualifying as hedges	(302)	378
Net fair value losses of forward currency contracts as hedging instruments	–	(122)
Gains/(losses) on settlement of forward currency contracts upon maturity	6	(1,842)
Gain on disposal of property, plant and equipment	–	16,000
<b>Net (losses)/gains</b>	<b>(296)</b>	<b>14,414</b>

### 5. Finance Costs

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	2,160	3,521
Finance lease charges	7	7
Bank charges	824	1,574
<b>Total</b>	<b>2,991</b>	<b>5,102</b>



## Notes to the Financial Statements (Continued)

### 6. Profit Before Taxation

Profit before taxation is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Cost of inventories	181,709	303,100
Depreciation of property, plant and equipment	2,768	3,266
Staff costs (including directors' remuneration)	44,701	63,259
Auditors' remuneration	863	438
Provision for bad and doubtful debts, net	546	6,430
Impairment of other intangible assets	–	2,697
Exchange losses, net	–	468
Bad debts (recovery)/written off	(210)	178

### 7. Taxation

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Current tax – Hong Kong	797	3,476
Current tax – Overseas	24	535
Deferred taxation	821 (85)	4,011 (287)
	736	3,724



## Notes to the Financial Statements (Continued)

### 8. Dividends

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared and paid of HK\$Nil (2008: HK\$0.02) per ordinary share	–	5,434

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2009.

### 9. Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 September 2009 is based on the profit attributable to equity holders of the Company of HK\$1,447,000 (six months ended 30 September 2008: HK\$28,096,000) and 271,700,000 (six months ended 30 September 2008: 271,700,000) ordinary shares in issue during the period.

Diluted earnings per share for the period ended 30 September 2009 and 2008 are the same as the basic earnings per share of the share options outstanding at the period end had an anti-dilutive effect on the basic earnings per share for these periods.

### 10. Available-for-sale Investment

Available-for-sale investment included the followings:

	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Investments in life insurance contract	2,082	–

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

The total insured amount is US\$750,000 (approximately HK\$5.8 million). The contract will mature on the date of the death of the insured. At time of death of the insured, all insured amount will be payable to the Group.

The carrying amount at 30 September 2009 represents the cash surrender value of this insurance contract as at the date of statement of financial position.



## Notes to the Financial Statements (Continued)

### 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 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Within 1 month	40,626	30,026
Over 1 month but within 3 months	36,477	25,209
Over 3 months but within 6 months	24,000	27,315
Over 6 months but within 1 year	12,668	23,331
Over 1 year	6,766	1,374
	<b>120,537</b>	107,255

### 12. Bank Borrowings

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Bank overdrafts	3,921	6,457
Bank loans	68,530	58,656
Discounted bills with recourse	377	1,538
Trust receipts and export loans	58,193	93,462
	<b>131,021</b>	160,113
The borrowings are repayable as follows:		
On demand or within 1 year	104,687	137,262
After 1 year but within 2 years	17,475	9,726
After 2 years but within 5 years	8,859	13,125
	<b>131,021</b>	160,113
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(104,687)</b>	(137,262)
Amount due for settlement after 12 months	<b>26,334</b>	22,851

Bank borrowing of the Group as at 30 September 2009 and 31 March 2009 were secured by certain corporate guarantees provided by the Company.

The maturity date of the discounted bills with recourse is within 3 to 6 months from inception date of the discounted bills.



## Notes to the Financial Statements (Continued)

### 13. Accounts Payable

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

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Within 1 month	27,174	8,555
Over 1 month but within 3 months	16,406	3,896
Over 3 months but within 6 months	14,706	20,989
Over 6 months but within 1 year	1,506	14,021
Over 1 year	30	–
	<b>59,822</b>	<b>47,461</b>

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

### 14. Share Capital

	Number of shares	Amount HK\$'000
Shares of the Company with nominal value of HK\$0.01 each		
Authorised:		
At 30 September 2009 and 31 March 2009	10,000,000,000	100,000
Issued and fully paid:		
At 30 September 2009 and 31 March 2009	271,700,000	2,717





## Notes to the Financial Statements (Continued)

### 15. Commitments

#### (a) Capital commitment

Capital commitments in respect of acquisition of property, plant and equipment and capital contribution in an associate outstanding at the date of statement of financial position not provided for in the financial statements were as follows:

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	<b>31 March 2009 HK\$'000 (Audited)</b>
Contracted but not provided for:		
Property, plant and equipment	1,382	550
Interest in an associate	2,384	2,382

#### (b) Operating lease arrangements

	<b>Six months ended 30 September 2009 HK\$'000 (Unaudited)</b>	
	<b>2009 HK\$'000 (Unaudited)</b>	<b>2008 HK\$'000 (Unaudited)</b>
Minimum lease payments paid under operating leases	5,215	4,265

At the date of statement of financial position, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:-

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	<b>31 March 2009 HK\$'000 (Audited)</b>
Within one year	9,456	8,848
In the second to fifth years inclusive	7,293	9,361
	<b>16,749</b>	<b>18,209</b>

Operating lease payments represent rentals payable by the Group for certain of its premises for the purpose of office, factory and staff quarter. The lease is negotiated for a term of one to five years at fixed rental.



## Notes to the Financial Statements (Continued)

### 16. Related Party Transactions

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

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Sale of goods to Noblediam S.L. ("Noblediam") in which the Group has beneficial interest (note i)	7,204	21,480
Sale of goods to Pesona Noble Jewelry Limited ("Pesona Noble") in which the Group has beneficial interest (note i)	271	1,495
Sale of goods to Shanghai City Temple the First Shopping Center Company Limited ("Shanghai City Temple") in which the Group has beneficial interest (note i)	172	–
Management fees received from Noblediam (note ii)	93	45
Management fees received from Pesona Noble (note ii)	120	120
Rental, utilities charges and building management fees paid to Guangzhou Weile Jewelry Park Company Limited in which Mr. Chan Yuen Hing, a director and shareholder of the Company ("Mr. Chan"), has beneficial interests (note iii)	286	112
Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan has beneficial interests (note iii)	–	442
Rental expenses paid to Shanghai City Temple (note iii)	127	–

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 on normal business terms and in the ordinary course of the business of the Group.

### 17. Subsequent Event

On 18 November 2009, the Company entered into a joint-venture agreement with an independent third party relating to the formation of a joint venture company ("JV Company") with registered capital of HK\$10,000 for the purpose of providing wedding etiquette service in PRC. The JV Company will be owned as to 51% by the Group and 49% by the joint venture partner respectively.