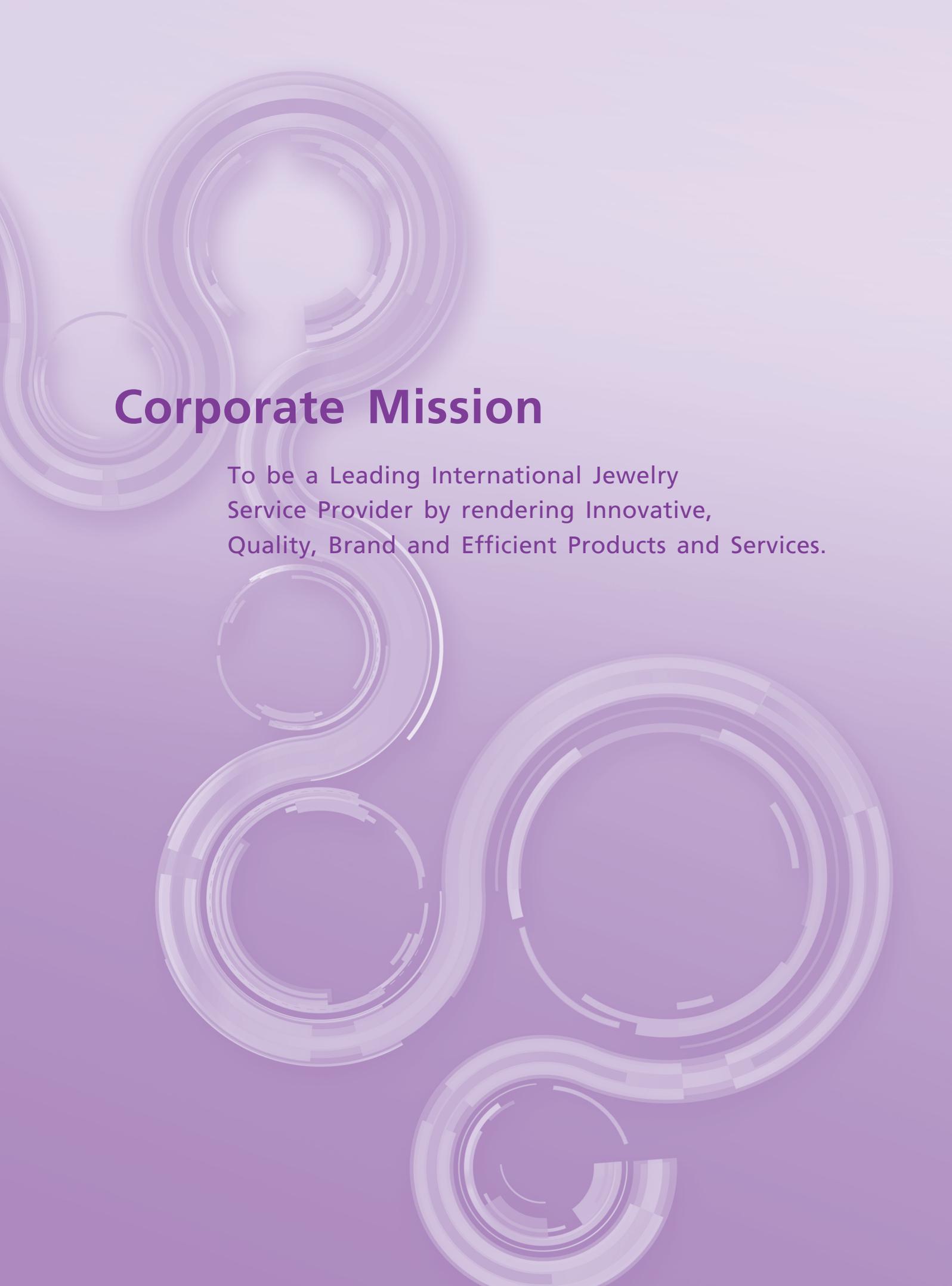


 NOBLE JEWELRY HOLDINGS LIMITED
億 鑽 珠 寶 控 股 有 限 公 司

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



Interim 2010
Report



Corporate Mission

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

Contents

| | |
|--|----|
| Corporate Information | 2 |
| Management Discussion and Analysis | 4 |
| Corporate Governance and Other Information | 9 |
| Consolidated Statement of Comprehensive Income | 13 |
| Consolidated Statement of Financial Position | 14 |
| Consolidated Statement of Changes in Equity | 16 |
| Condensed Consolidated Statement of Cash Flows | 17 |
| Notes to the Financial Statements | 18 |

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. Lai Wang
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



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

Auditor

BDO Limited

Company Website

www.noble.com.hk

Stock Code

00475

Management Discussion and Analysis

Operating Results

On the back of the reviving global economy, overall consumer sentiment and spending has been further improved in 2010, providing a more favorable business environment for most jewelry operators. With proven strategies of continuous market and customer diversification as well as sales network expansion, Noble Jewelry Holdings Limited (the "Company"), and its subsidiaries (collectively "Noble Jewelry" or the "Group") achieved continuous progress in overall business performance for the six months ended 30 September 2010. The Group's total turnover significantly increased by 38.1% to HK\$335.7 million, with sales growth recorded in all its major operating markets. Despite rising raw materials prices, the Group managed to maximize its profitability through various and ongoing cost control measures. During the period under review, gross profit and net profit attributable to shareholders rose to HK\$86.9 million and HK\$11.5 million respectively (six months ended 30 September 2009: HK\$61.5 million and HK\$1.4 million respectively). Basic earnings per share were 4.2 HK cents (six months ended 30 September 2009: 0.5 HK cents).

To reserve cash, the board of directors ("Director(s)") of the Company (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

Business Review

Sales Analysis by Geographical Market

Thanks to the high growth potential in emerging market economies and replenishment demand in most developed markets after the global financial crisis, the Group's sales in the Middle East recorded a significant increase of 45.7% to HK\$98.6 million in the first half of the financial year, representing 29.4% of total turnover. Sales in the European market made up 25.1% of the Group's total turnover, reporting a growth of 14.9% to HK\$84.2 million, which was mainly contributed by an encouraging sales performance in United Kingdom and Turkey. With new and significant customer orders from Indonesian market, sales to Asian Pacific countries (excluding the People's Republic of China ("PRC")) surged 71.7% to HK\$39.4 million and accounted for 11.7% of total turnover. Gradually recovered economy in the United States ("US") resulted in a strong sales growth of 37.7% in the American market, totaling HK\$59.8 million to contribute to 17.8% of total turnover. Sales in the PRC market (excluding Hong Kong) soared by 64.0% to HK\$31.0 million, accounting for 9.2% of total turnover. During the period under review, the Group continued to exploit the emerging markets in Africa, such as Nigeria and Libyan Arab Jamahiriya as well as in Asian Pacific countries such as Indonesia. Encouraging sales growth during the period under review has been recorded in these markets.

Margin Analysis

Gross profit margin for the six months ended 30 September 2010 was 25.9% which was inevitably affected by rising raw materials prices. However, the Group strived to manage and increase its net profit through consistent and effective cost control including increased direct sourcing from suppliers in India lowering the raw material cost together with bulk purchase of raw materials thus enjoying greater discounts as well as considered adjustments in selling and promotion expenses. The Group was also able to mostly transfer the cost increases to its customers and thereby alleviated the cost pressure on overall profitability. In addition, it reinforced ongoing cost control measures ranging from migrating certain operations from Hong Kong office to China operations centre in PRC, strengthening management of production efficiency, lean manufacturing, adoption of sophisticated designs and advanced techniques for crafting clustered diamonds, to recycling of outmoded jewelry pieces.

Wholesale Business

Sales of the wholesale business, including Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM), amounted to HK\$302.3 million, accounting for 90.1% of total turnover. The sector continued to contribute stable and major revenue to the Group via the organic growth of business. Backed by its Customer Knowledge Management (“CKM”) system, the Group maintained its focus on servicing financially healthy customers with stronger growth potential, as well as those who could contribute steady and significant revenue and also bear price fluctuations. Meanwhile, the Group was able to strengthen the ties with its existing and potential customers through offering comprehensive Original Strategy Management (OSM) support for formulating business development strategies, enabling them to expand which would eventually benefit the Group. Continuous market and customer diversification also remained effective in driving the business growth.

Retail and Brand Business

The retail and brand business recorded total sales of HK\$15.5 million, making up 4.6% of total turnover. The Group continued to focus on developing its retail business in PRC market. Four more directly-operated stores (“DOS”), 珍诺尔, were opened in Shanghai, Ningbo, Nanjing and Hangzhou during the period under review, raising the total count to nine stores as at 30 September 2010. Besides, the Group continued to leverage its own retail network to explore PRC market with the brands, Chad Allison and LAVITA. In the overseas markets, the business performance of Chad Allison in US and OriDiam in Spain, after the operation rationalization and brand re-positioning, showed a significant improvement, even though the market sentiments of branded fine jewelry are still weak.

Sales Network Collaboration

This business reported a turnover of HK\$17.9 million, accounting for 5.3% of total turnover. During the period under review, the Group conducted around 50 jewelry roadshows in selected locations within the Sam’s Club, operated by Wal-Mart in US. This business collaboration has been improved since its operation being launched in the third quarter of 2009 and opened a new revenue stream for the Group. Besides, the Group continued to extend its distribution network across PRC via a joint venture with a Shandong distributor, and offered a wider selection of jewelry products at the distributor’s retail counters. In view of the promising wedding market in PRC, the Group is now exploring related business opportunities by way of forming a joint venture with a wedding etiquette and ancillary services provider. Other strategic business initiatives have also been made to facilitate future cooperation. The Group maintained its ties with Shanghai Chenghuang Jewellery Limited with the operating of two retail counters within their headquarters in a prime area of Shanghai.

Prospects

The global jewelry market, especially diamond-studded jewelry, is expected to gradually and continually improve as and when the people believe the worst of the global financial crisis has gone. Benefiting from the improvement of the market sentiments, the Group is optimistic in the business outlook but remains cautious due to the market uncertainty. Noble Jewelry commits to continue to allocate more resources in product development and equipment upgrade, as well as strengthening the backend support to sales and marketing teams in order to complement the future growth of the Group.

Wholesale Business

Emerging markets will be the Group's focus as the disposable income of the people in these markets rapidly grows. In addition to geography, the Group is also keenly extending its customer base to different market segments, helped by a broader product mix such as the introduction of gold jewelry into PRC and an expanded collection of silver diamond jewelry for US market. With the aid of its CKM system to analyze and manage customer portfolios, the Group expects to continue effectively allocate and optimally utilize resources, which would be further reinforced by the consolidation of a PRC logistics base through migrating part of the Hong Kong operations to the China operations centre with the purchase of the new head office in Hong Kong.

Retail and Brand Business

With the retail and brand business's focus in PRC, the Group opened three more 珍诺尔 stores in the third quarter of 2010 in Shanghai, Nanjing and Ningbo. The Group intends to closely monitor the business and progress of the 珍诺尔 stores and prudently strengthen its brand building efforts. However, it is conceivable to take time for consumers in PRC to recognize trendy and high-end diamond-clustered fine jewelry. For LAVITA and Chad Allison, the Group plans to continue to leverage its sales network to further promote and distribute their branded products in order to better penetrate the growing branded jewelry market in PRC. The repositioning of OriDiam in Spanish market has continued with the aim to renew the brand image to have a better representation of the brand value. With its increasing knowledge to satisfy customers' tastes within different segments and regions, the Group believes its retail and brand business should thrive gradually in the coming years.

Sales Network Collaboration

With the Sam's Club's business gradually improving, the Group will take further steps to develop the roadshow business in US, as well as design fashion jewelry tailored for that market. Its operations will be constantly reviewed and adjusted aiming at further improvement. The Group's collaboration with the Shangdong distributor and the joint venture with the wedding etiquette and ancillary services provider will continue in a bid to reach strategic markets and to consolidate the Group's business-to-business-to-consumer (B2B2C) activity.

Riding on the success of the ongoing initiatives of market and customer diversification, Noble Jewelry will step up efforts in strengthening existing business collaboration with respective partners and exploring further opportunities. Furthermore, the Group will be committed to maximizing profit margins to increase shareholders' value and generate long term returns to the Group.

Liquidity and Financial Resources

As at 30 September 2010, the Group's liquidity position was maintained, as a result of the continuing stringent cost control, at a level to minimise the adverse impact of the economic downturn after the global financial crisis.

As at 30 September 2010, the Group's net current assets and current ratio stood at HK\$156.1 million and 1.4 respectively (31 March 2010: HK\$154.6 million and 1.5 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was 64.0% as at 30 September 2010 (31 March 2010: 45.0%). The increase in net current assets and net gearing ratio for the period under review were mainly attributable to the significant increase in inventories, accounts receivable and bank borrowings during the period.

Management Discussion and Analysis (Continued)

The Group's total bank borrowings including bank overdrafts and bank loans as at 30 September 2010 were increased by 33.7% over last year to HK\$192.8 million (31 March 2010: HK\$144.2 million), of which the total bank borrowings in US dollars amounted to US\$0.2 million (31 March 2010: US\$1.1 million).

The Group's banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK\$301.5 million as at 30 September 2010, out of which approximately HK\$108.6 million was unutilised.

As at 30 September 2010, the Group's cash at banks and in hand amounted to HK\$20.4 million (31 March 2010: HK\$27.5 million).

Charges on Group Assets

As at 30 September 2010 and 31 March 2010, a banking facility was secured by the pledge of one of the Group's buildings with carrying amount of HK\$10.3 million.

Capital Structure

For the period ended 30 September 2010, 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 2010, the Group has HK\$24.7million of capital commitments (31 March 2010: HK\$2.4 million).

As at 30 September 2010, the Group did not have any significant contingent liabilities (31 March 2010: Nil).

Staff and Remuneration Policy

As at 30 September 2010, the Group had a total of 833 employees (31 March 2010: 889). Staff costs for the period under review was HK\$46.0 million, representing an increase of 2.9% as compared to the corresponding period ended 30 September 2009 of HK\$44.7 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 2,260,000 share options 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 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 has entered into forward foreign currency contracts. The purpose is to manage the currency risks arising from the Group’s highly probable foreign currency forecast sales.

As at 30 September 2010 and 31 March 2010, no forward foreign currency contracts are designed as hedges.



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 2010 (six months ended 30 September 2009: Nil).

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 contributions to the Group. Details of the movements of share options granted during the period under review and outstanding as at 30 September 2010 are as follows:

| | Number of share options | | | | Outstanding as at 30 September 2010 | Exercise period (both dates inclusive) | Exercise price | Closing price immediately before the date of grant |
|-----------------------------|-------------------------|----------------------------------|-----------------------------------|--|--|--|-------------------|---|
| | At 1 April 2010 | Grant during the period | Exercised during the period | Cancelled/ Lapsed during the period | | | | |
| 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 |
| Lai Wang | 50,000 | — | — | — | 50,000 | 1 February 2010 to 31 January 2012 | 1.27 | 1.27 |
| | 50,000 | — | — | — | 50,000 | 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 |
| Total Directors | 1,000,000 | — | — | — | 1,000,000 | | | |
| Employees | 730,000 | — | — | (70,000) | 660,000 | 1 February 2010 to 31 January 2012 | 1.27 | 1.27 |
| | 730,000 | — | — | (70,000) | 660,000 | 1 February 2011 to 31 January 2012 | 1.27 | 1.27 |
| Total Employees | 1,460,000 | — | — | (140,000) | 1,320,000 | | | |
| Total All Categories | 2,460,000 | — | — | (140,000) | 2,320,000 | | | |

Directors' Interests and Short Positions in Shares

As at the date of this interim report, the interests and short positions of the Directors and their associates in the shares and underlying shares of the Company (the "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 Director | Capacity | Number of issued 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. Lai Wang | Beneficial owner | 100,000 | 0.04% |
| Mr. Tsang Wing Ki | Beneficial owner | 310,000 | 0.11% |

Notes:

- (1) The share options granted by the Company to 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.

Substantial Shareholders' Interests and Short Positions 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 Shares | 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 2010 except for the following deviation.

Under provision E.1.2 of the Code, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Owing to another business engagement, Mr. Chan Yuen Hing, the Chairman, was unable to attend the Company's annual general meeting held on 27 August 2010. Mr. Tang Chee Kwong, chief executive officer of the Company who was present at the annual general meeting, chaired the meeting in accordance with the articles of association of the Company.

The Company will continue to review the situation as stated above and to improve the corporate governance practices of the Company when and as it becomes appropriate in future.

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 2010.

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 2010 have been reviewed and approved by the audit committee at an audit committee meeting held on 26 November 2010.

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 2010.

On behalf of the Board

Chan Yuen Hing
Chairman

Hong Kong, 26 November 2010



Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2010 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 |
| Turnover | 3 | 335,737 | 243,178 |
| Cost of sales | | (248,811) | (181,709) |
| Gross profit | | 86,926 | 61,469 |
| Other revenue | 3 | 1,802 | 5,007 |
| Distribution costs | | (20,305) | (16,150) |
| Administrative expenses | | (49,434) | (45,647) |
| Other gains and losses | 4 | (1,934) | (296) |
| Finance costs | 5 | (3,000) | (2,991) |
| Share of losses of associates, net | | (564) | (116) |
| Profit before income tax | 6 | 13,491 | 1,276 |
| Income tax expense | 7 | (2,842) | (736) |
| Profit for the period | | 10,649 | 540 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | (45) | 610 |
| Net value gain on other assets | | — | 26 |
| Other comprehensive income for the period | | (45) | 636 |
| Total comprehensive income for the period | | 10,604 | 1,176 |
| Profit attributable to: | | | |
| — Owners of the Company | | 11,460 | 1,447 |
| — Non-controlling interests | | (811) | (907) |
| | | 10,649 | 540 |
| Total comprehensive income attributable to: | | | |
| — Owners of the Company | | 11,415 | 2,083 |
| — Non-controlling interests | | (811) | (907) |
| | | 10,604 | 1,176 |
| Earnings per share attributable to owners of the Company: | | | |
| Basic and diluted (HK cents) | 9 | 4.22 | 0.53 |

Consolidated Statement of Financial Position

As at 30 September 2010

| | | 30 September 2010 (Unaudited) HK\$'000 | 31 March 2010 (Audited) HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Assets and liabilities | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 55,654 | 51,240 |
| Associates | | 60,017 | 63,510 |
| Deposits | | 1,717 | 1,026 |
| Other assets | 10 | 2,138 | 2,110 |
| Deferred tax assets | | 1,401 | 1,041 |
| | | 120,927 | 118,927 |
| Current assets | | | |
| Inventories | | 312,966 | 264,181 |
| Accounts receivable | 11 | 133,434 | 103,683 |
| Other receivables, deposits and prepayments | | 21,187 | 28,803 |
| Amounts due from related parties | | 23,515 | 20,747 |
| Cash at banks and in hand | | 20,358 | 27,461 |
| | | 511,460 | 444,875 |
| Current liabilities | | | |
| Bank borrowings | 12 | 185,499 | 129,761 |
| Accounts payable | 13 | 123,278 | 112,350 |
| Other payables and accrued charges | | 40,396 | 45,636 |
| Amounts due to related parties | | 437 | 1,066 |
| Obligations under finance leases | | — | 40 |
| Derivative financial instruments | | 1,959 | 120 |
| Tax payables | | 3,791 | 1,331 |
| | | 355,360 | 290,304 |
| Net current assets | | 156,100 | 154,571 |
| Total assets less current liabilities | | 277,027 | 273,498 |

Consolidated Statement of Financial Position (Continued)

| | | 30 September 2010 (Unaudited) HK\$'000 | 31 March 2010 (Audited) HK\$'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| Total assets less current liabilities | | 277,027 | 273,498 |
| Non-current liabilities | | | |
| Bank borrowings | 12 | 7,333 | 14,408 |
| | | 7,333 | 14,408 |
| NET ASSETS | | 269,694 | 259,090 |
| Equity | | | |
| Share capital | 14 | 2,717 | 2,717 |
| Reserves | | 266,977 | 255,562 |
| Equity attributable to owners of the Company | | 269,694 | 258,279 |
| Non-controlling interests | | — | 811 |
| TOTAL EQUITY | | 269,694 | 259,090 |

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

| | Attributable to owners of the Company (Unaudited) | | | | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|--|--|------------------------------|-------------------------------|--------------------------------|------------------------------------|---------------------------------|---------------------------------|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Capital reserve HK\$'000 | Revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits HK\$'000 | | | |
| At 1 April 2010 | 2,717 | 79,836 | 1,593 | 1,445 | — | 8,437 | 164,251 | 258,279 | 811 | 259,090 |
| Total comprehensive income for the period | — | — | — | — | — | (45) | 11,460 | 11,415 | (811) | 10,604 |
| At 30 September 2010 | 2,717 | 79,836 | 1,593 | 1,445 | — | 8,392 | 175,711 | 269,694 | — | 269,694 |

| | Attributable to owners of the Company (Unaudited) | | | | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|--|--|------------------------------|-------------------------------|--------------------------------|------------------------------------|---------------------------------|---------------------------------|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Capital reserve HK\$'000 | Revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits HK\$'000 | | | |
| At 1 April 2009 | 2,717 | 79,836 | 1,593 | 1,445 | — | 7,625 | 161,111 | 254,327 | — | 254,327 |
| Dividend paid | — | — | — | — | — | — | — | — | 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 |



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2010 (Unaudited) HK\$'000 | 2009 (Unaudited) HK\$'000 |
| Net cash (used in)/generated from operating activities | (48,536) | 31,132 |
| Net cash used in investing activities | (7,216) | (3,655) |
| Net cash generated from/(used in) financing activities | 48,049 | (26,614) |
| Net (decrease)/increase in cash and cash equivalents | (7,703) | 863 |
| Effect of change in foreign exchange rate | 26 | 4 |
| Cash and cash equivalents at beginning of period | 27,452 | 7,887 |
| Cash and cash equivalents at end of period | 19,775 | 8,754 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash at banks and in hand | 20,358 | 12,675 |
| Less: Bank overdrafts | (583) | (3,921) |
| | 19,775 | 8,754 |

Notes to the Financial Statements

1. General

The Company was incorporated and registered as an exempted company with limited liability on 25 August 2006 under the Companies Law of the Cayman Islands and acts as an investment company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

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 2010, 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.

| | |
|---|--|
| HKFRS 1 (Revised) | First-time adoption of HKFRSs |
| HKFRS 1 (Amendments) | Additional exemptions for first-time adopters |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions |
| HKFRS 3 (Revised) | Business combinations |
| HKAS 27 (Revised) | Consolidated and separate financial statements |
| HKAS 32 (Amendment) | Classification of rights issue |
| HKAS 39 (Amendment) | Eligible hedged items |
| HK(IFRIC) — Int 17 | Distributions of non-cash assets to owners |
| Amendments to HKFRS 5 | Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary |
| included in Improvements to HKFRSs issued in October 2008 | Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| HK Interpretation 4 (Revised in December 2009) | Amendments to a number of HKFRSs |
| Improvements to HKFRSs 2009 | |

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

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

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of the other new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

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

| | |
|--------------------------------|---|
| HKFRSs (Amendment) | Improvements to HKFRSs 2010 ¹ |
| HKAS 24 (Revised) | Related Party Disclosures ³ |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ² |
| HKFRS 7 | Financial Instruments: Disclosures — Transfers of Financial Assets ⁵ |
| HKFRS 9 | Financial Instruments ⁴ |
| HK(IFRIC) — Int 14 (Amendment) | Prepayments of a Minimum Funding Requirements ³ |
| HK(IFRIC) — Int 19 | Extinguishing Financial Liabilities with Equity Instruments ² |

Effective date

1. Annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2. Annual periods beginning on or after 1 July 2010
3. Annual periods beginning on or after 1 January 2011
4. Annual periods beginning on or after 1 January 2013
5. Annual periods beginning on or after 1 July 2011

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair values. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 | |
|-----------------------|----------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Turnover | | |
| Sales | 335,737 | 243,178 |
| Other revenue | | |
| Sundry income | 1,216 | 718 |
| Bank interest income | 447 | 13 |
| Management fee income | 139 | 213 |
| Exchange gain | — | 4,063 |
| | 1,802 | 5,007 |
| Total revenue | 337,539 | 248,185 |

- (b) **Business segments**

The Group principally operates in one business segment, which is the design, manufacturing and trading of fine jewelry products.

- (c) **Geographical information**

An analysis of the Group's revenue from external customers is as follows:

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Turnover | | |
| — The Middle East | 98,611 | 67,659 |
| — Europe | 84,173 | 73,285 |
| — America | 59,772 | 43,393 |
| — Others | 39,399 | 22,953 |
| — The People's Republic of China, other than Hong Kong ("PRC") | 31,005 | 18,909 |
| — Japan | 14,743 | 13,905 |
| — Hong Kong | 8,034 | 3,074 |
| | 335,737 | 243,178 |

4. Other Gains and Losses

| | Six months ended | |
|---|-------------------------|--------------------|
| | 30 September | |
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Loss)/gain on settlement of forward foreign currency contracts upon maturity | (1,986) | 6 |
| Net fair value losses on derivative financial instruments: | | |
| Forward foreign currency contract and interest rate swap contract that do not qualify as hedges | — | (302) |
| Others | 52 | — |
| | (1,934) | (296) |

5. Finance Costs

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30 September | |
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings wholly repayable within five years | 2,116 | 2,160 |
| Finance lease charges | 4 | 7 |
| Bank charges | 880 | 824 |
| | 3,000 | 2,991 |

6. Profit Before Income Tax

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

| | Six months ended | |
|---|-------------------------|--------------------|
| | 30 September | |
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories expensed | 248,811 | 181,709 |
| Depreciation of property, plant and equipment | 2,738 | 2,768 |
| Staff costs (including directors' remuneration) | 46,037 | 44,701 |
| Auditor's remuneration | 462 | 863 |
| Provision for bad and doubtful debts, net | 2,387 | 546 |
| Impairment of other intangible assets | 74 | — |
| Exchange gains, net | (608) | — |
| Bad debts written off/(recovery) | 427 | (210) |

7. Income Tax Expense

The amount of income tax expense in the consolidated statement of comprehensive income represents:

| | Six months ended 30 September | |
|-------------------------------------|----------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Current tax — Hong Kong profits tax | 2,974 | 797 |
| Current tax — overseas | 228 | 24 |
| | 3,202 | 821 |
| Deferred tax | (360) | (85) |
| | 2,842 | 736 |

8. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six month ended 30 September 2009: Nil).

9. Earnings Per Share

The calculation of basic earnings per share is based on the following data:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------|
| | 2010 (Unaudited) | 2009 (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share calculation | HK\$11,460,000 | HK\$1,447,000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 271,700,000 | 271,700,000 |

As the Company has no dilutive potential ordinary shares, the basic and diluted earnings per share for the respective periods are equal.

10. Other Assets

| | 30 September 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|---|---|---|
| Cash surrender value of life insurance contract | 2,138 | 2,110 |

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

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

11. Accounts Receivable

The Group normally allows a credit period ranging from 15 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 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|-----------------------------------|---|---|
| Within 1 month | 46,688 | 32,678 |
| Over 1 month but within 3 months | 45,389 | 37,670 |
| Over 3 months but within 6 months | 26,974 | 21,856 |
| Over 6 months but within 1 year | 10,297 | 10,301 |
| Over 1 year | 4,086 | 1,178 |
| | 133,434 | 103,683 |

12. Bank Borrowings

| | 30 September 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|---|---|---|
| Bank overdrafts — secured | 583 | 9 |
| Bank loans — secured | 62,455 | 43,963 |
| Discounted bills with recourse — secured | 268 | 173 |
| Trust receipts and export loans — secured | 129,526 | 100,024 |
| | 192,832 | 144,169 |

The borrowings are repayable as follows:

| | | |
|--|------------------|-----------|
| On demand or within 1 year | 185,499 | 129,761 |
| After 1 year but within 2 years | 3,333 | 12,075 |
| After 2 years but within 5 years | 4,000 | 2,333 |
| | 192,832 | 144,169 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | (185,499) | (129,761) |
| Amounts due for settlement after 12 months | 7,333 | 14,408 |

The Group's banking facilities amounting to HK\$301,481,000 (31 March 2010: HK\$315,420,000), of which HK\$192,832,000 (31 March 2010: HK\$144,160,000) has been utilized as at the end of reporting period.

12. Bank Borrowings (Continued)

A banking facility is secured by the pledge of one of the Group's buildings with the carrying amount of HK\$10,333,000 (31 March 2010: HK\$10,287,000).

Bank borrowings of the Group as at 31 March 2010 and 30 September 2010 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.

13. Accounts Payable

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

| | 30 September 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|-----------------------------------|---|---|
| Within 1 month | 37,955 | 35,654 |
| Over 1 month but within 3 months | 39,659 | 39,628 |
| Over 3 months but within 6 months | 41,977 | 34,300 |
| Over 6 months | 3,687 | 2,768 |
| | 123,278 | 112,350 |

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: | | |
| As at 31 March 2010 and 30 September 2010 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| As at 31 March 2010 and 30 September 2010 | 271,700,000 | 2,717 |

15. Commitments

(a) Capital commitments

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

| | 30 September 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|----------------------------------|---|---|
| Contracted but not provided for: | | |
| Property, plant and equipment | 23,033 | — |
| Interest in an associate | 1,716 | 2,394 |

(b) Operating lease arrangements

| | Six months ended 30 September | |
|--|--|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Minimum lease payments paid under operating leases | 7,570 | 5,215 |

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

| | 30 September 2010 HK\$'000 (Unaudited) | 31 March 2010 HK\$'000 (Audited) |
|-------------------------------|---|---|
| Within 1 year | 8,784 | 7,524 |
| In the 2 to 5 years inclusive | 6,373 | 5,840 |
| Later than 5 years | 2,391 | 642 |
| | 17,548 | 14,006 |

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 rental.

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 | |
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Recurring transactions | | |
| Sale of goods to Noblediam S.L. (<i>note i</i>) | 9,315 | 7,204 |
| Sale of goods to Pesona Noble Jewelry Limited (<i>note i</i>) | 2,099 | 271 |
| Sale of goods to Shanghai Chenghuang Jewellery Limited (<i>note i</i>) | 342 | 172 |
| Sale of goods to 山東嘉億珠寶有限公司 (<i>note i</i>) | 492 | — |
| Management fees received from Noblediam S.L. (<i>note ii</i>) | 89 | 93 |
| Management fees received from Pesona Noble Jewelry Limited (<i>note ii</i>) | 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 (<i>note iii</i>) | 1,893 | 286 |
| Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan has beneficial interests (<i>note iii</i>) | 160 | — |
| Rental expenses paid to Shanghai Chenghuang Jewellery Limited (<i>note iii</i>) | 21 | 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.