

# 2007 Interim Report



NOBLE JEWELRY HOLDINGS LIMITED  
億鑽珠寶控股有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 475)

# 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. Yu Yip Cheong

Non-executive Director

Mr. Yeung Kwok Keung, JP

Independent non-executive Directors

Mr. Chan Cheong Tat

Mr. Yu Ming Yang

Mr. Zhao De Hua

## Audit Committee

Mr. Chan Cheong Tat (*Chairman*)

Mr. Yu Ming Yang

Mr. Zhao De Hua

## Remuneration Committee

Mr. Tang Chee Kwong (*Chairman*)

Mr. Chan Cheong Tat

Mr. Yu Ming Yang

## Nomination Committee

Mr. Tang Chee Kwong (*Chairman*)

Mr. Chan Cheong Tat

Mr. Yu Ming Yang

## Qualified Accountant

Mr. Tsang Wing Ki, *FCCA, FCPA*

## Company Secretary

Mr. Sin Lap Poon, *ACIS, ACS*

## Head Office and Principal Place of Business in Hong Kong

Unit 306-307, 3rd Floor

Lippo Sun Plaza

28 Canton Road

Tsim Sha Tsui

Kowloon

Hong Kong

## Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

# Corporate Information

## Principal Share Registrar

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705  
Grand Cayman KY1-1107  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## Principal Bankers

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

## Compliance Adviser

Evolution Watterson Securities Limited

## Legal Adviser

Stephenson Harwood & Lo

## Auditor

Shu Lun Pan Horwath Hong Kong CPA Limited

## Public Relations Consultant

Strategic Financial Relations Limited

## Company Website

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

## Stock Code

475

# Consolidated Income Statement

For the six months ended 30 September 2007

The board of directors of Noble Jewelry Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 together with the comparative figures for the corresponding period as follows:

	Note	Six months ended 30 September	
		2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Turnover	3	357,377	317,293
Cost of sales		(265,946)	(239,357)
Gross profit		91,431	77,936
Other revenues	3	1,621	5,804
Distribution costs		(15,875)	(12,487)
Administrative expenses		(36,542)	(32,571)
Operating profit	4	40,635	38,682
Finance costs	5	(6,191)	(6,404)
Share of results of associates		647	(15)
Profit before taxation		35,091	32,263
Taxation	6	(3,496)	(4,198)
Profit for the period attributable to the equity holders of the Company		31,595	28,065
Dividends	7	10,868	38,000
Basic earnings per share (HK\$)	8	0.12	0.13

# Consolidated Balance Sheet

At 30 September 2007

		<b>30 September 2007</b>	31 March 2007
	Note	<b>(unaudited) HK\$'000</b>	(audited) HK\$'000
<b>Assets and liabilities</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>62,457</b>	62,496
Interests in associates		<b>13,917</b>	13,186
Intangible assets		<b>3,242</b>	3,242
Goodwill		<b>1,491</b>	1,491
Deferred tax assets		<b>806</b>	316
		<b>81,913</b>	80,731
<b>Current assets</b>			
Inventories		<b>270,913</b>	246,755
Accounts receivable	9	<b>128,227</b>	85,946
Other receivables, deposits and prepayments		<b>12,336</b>	18,853
Amount due from related companies		<b>13,370</b>	23,169
Cash at banks and in hand		<b>54,758</b>	10,723
		<b>479,604</b>	385,446
<b>Current liabilities</b>			
Bank borrowings	10	<b>165,375</b>	169,727
Accounts payable	11	<b>107,075</b>	102,284
Accrued charges and other payables		<b>28,245</b>	30,027
Tax payables		<b>5,620</b>	4,841
		<b>306,315</b>	306,879
<b>Net current assets</b>		<b>173,289</b>	78,567
<b>Total assets less current liabilities</b>		<b>255,202</b>	159,298
<b>Non-current liabilities</b>			
Bank borrowings	10	<b>4,490</b>	7,451
<b>Net assets</b>		<b>250,712</b>	151,847
<b>Equity</b>			
Share capital	12	<b>2,717</b>	200
Reserves		<b>247,995</b>	151,647
<b>Total equity</b>		<b>250,712</b>	151,847

# Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

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

	audited				
	Share capital HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2006	1,783	30,874	70	98,132	130,859
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	467	—	467
Profit for the period	—	—	—	28,065	28,065
Total recognised income and expenses for the period	—	—	467	28,065	28,532
Issue of shares	10	—	—	—	10
Dividend paid	—	—	—	(38,000)	(38,000)
At 30 September 2006	1,793	30,874	537	88,197	121,401





# 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”) on 17 April 2007 (the “Listing”). 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, manufacture and trading of fine jewelry products.

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

## 2. Basis of Preparation of Financial Statements and Accounting Policies

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirement of Appendix 16 of the 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 2007.

The consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended 30 September 2006 which are prepared in accordance with the principles of merger accounting, include the results and cash flows of the Company and its subsidiaries as if the group structure upon the completion of the group reorganisation on 26 February 2007 had been in existence throughout the six months ended 30 September 2006 or since their respective date of incorporation or establishment whichever is the shorter period.

In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies nor have affected the amounts reported for the current or prior periods.

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

		<b>Effective for annual periods beginning on or after</b>
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segment	1 January 2009
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The directors of the Company (“Director(s)”) anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

# Notes to the Financial Statements

## 3. Turnover, Other Income and Segment Information

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

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
<b>Turnover</b>		
Sales	357,377	317,293
<b>Other income</b>		
Bank interest income	914	39
Sundry income	397	823
Management fee income	214	330
Gain on disposal of property, plant and equipment	96	—
Exchange gains, net	—	4,612
	1,621	5,804
<b>Total revenue</b>	<b>358,998</b>	<b>323,097</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, manufacture and trading of fine jewelry products.

- (c) Geographical segments

An analysis by geographical segment is as follows:

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
<b>Turnover</b>		
— Hong Kong	21,522	39,147
— Japan	19,764	22,444
— The US	81,352	76,841
— Europe	100,782	69,081
— Middle East	89,080	91,960
— The PRC	23,648	—
— Others	21,229	17,820
	357,377	317,293

# Notes to the Financial Statements

## 4. Operating Profit

Operating profit is stated after charging/(crediting) the followings:

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Cost of goods sold	265,946	239,357
Depreciation	3,249	3,180
Staff costs	43,895	35,975
Provision for/(reversal of) bad and doubtful debts	678	(1,207)
Exchange losses, net	840	—
Decrease in fair value of forward contracts	—	310
Gain on settlement of forward contracts upon maturity	—	(156)

## 5. Finance Costs

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Interest on bank borrowings wholly repayable within five years	5,077	5,554
Bank charges	1,114	850
	<b>6,191</b>	<b>6,404</b>

## 6. Taxation

Taxation in the consolidated income statement represents:

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Current tax — Hong Kong	3,325	2,867
Current tax — Overseas	661	1,592
	<b>3,986</b>	<b>4,459</b>
Deferred taxation	(490)	(261)
	<b>3,496</b>	<b>4,198</b>

# Notes to the Financial Statements

## 7. Dividends

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Dividend paid ( <i>note a</i> )	—	38,000
Interim dividend of HK\$0.04 per ordinary share declared ( <i>note b</i> )	10,868	—
	<b>10,868</b>	<b>38,000</b>

- (a) On 30 September 2006, a dividend of HK\$38,000,000 was paid by the Company's subsidiary, Noble Jewelry Limited, to its then shareholders prior to the group reorganisation in preparation for the Listing.
- (b) The interim dividend declared after the balance sheet date have not been recognized as liabilities at the balance sheet date. The interim dividend will be paid on or about 3 January 2008 to shareholders whose names appear on the register of members of the Company on 21 December 2007.
- (c) Final dividend of HK\$0.06 per ordinary share in respect of the financial year ended 31 March 2007, which totaled HK\$16,302,000 was approved and paid during the period.

## 8. Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of HK\$31,595,000 (six months ended 30 September 2006: HK\$28,065,000) and the weighted average of 265,619,126 (six months ended 30 September 2006: 208,000,000) shares in issue during the period.

The weighted average number of shares in issue during the six months ended 30 September 2006 represents the 208,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange on 17 April 2007, as if such shares had been outstanding during the above entire period.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue during the periods.

# Notes to the Financial Statements

## 9. 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 impairment losses for bad and doubtful debts) are expected to be recovered within one year.

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

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
Within 1 month	50,102	15,161
Over 1 month but within 3 months	48,582	41,406
Over 3 months but within 6 months	24,740	24,884
Over 6 months but within 1 year	4,803	4,495
	<b>128,227</b>	<b>85,946</b>

The Directors consider the carrying amount of accounts receivable approximates its fair value.

## 10. Bank Borrowings

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
Bank overdrafts	—	110
Bank loans	36,138	47,632
Discounted bills with recourse	5,509	3,088
Trust receipts and export loans	128,218	126,348
	<b>169,865</b>	<b>177,178</b>
The borrowings are repayable as follows:		
On demand or within one year	165,375	169,727
In the second year	4,490	7,451
	<b>169,865</b>	<b>177,178</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(165,375)</b>	<b>(169,727)</b>
Amount due for settlement after 12 months	<b>4,490</b>	<b>7,451</b>

# Notes to the Financial Statements

## 10. Bank Borrowings (Continued)

As at 30 September 2007, the Group's banking facilities are secured by the Group's land and buildings with carrying amount of HK\$50,191,000 (31 March 2007: HK\$50,681,000) and bank fixed deposits of HK\$1,081,000 (31 March 2007: HK\$1,062,000).

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

## 11. Accounts Payable

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

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
Within 1 month	29,852	42,202
Over 1 month but within 3 months	39,662	29,329
Over 3 months but within 6 months	37,561	28,228
Over 6 months	—	2,525
	<b>107,075</b>	<b>102,284</b>

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

The Directors consider the carrying amount of accounts payable approximates its fair value.

## 12. Share Capital

	Number of shares	Amount HK\$'000
Share of the Company with nominal value of HK\$0.01 each		
Authorised:		
As at 31 March 2007 and 30 September 2007	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2007 and 1 April 2007	20,000,000	200
Capitalisation issue ( <i>note (a)(i)</i> )	188,000,000	1,880
Issuance of shares for public offer and placing ( <i>note (a)(ii)</i> )	52,000,000	520
Issue of share upon the exercise of the over-allotment option ( <i>note (b)</i> )	11,700,000	117
At 30 September 2007	271,700,000	2,717

# Notes to the Financial Statements

## 12. Share Capital (Continued)

- (a) On 17 April 2007, the Company's shares were listed on the Main Board of the Stock Exchange following the completion of the public offer and placing as described in the prospectus of the Company dated 30 March 2007.

(i) Capitalisation issue

On 12 April 2007, an amount of HK\$1,880,000 standing to the credit of the share premium account was applied in paying up in full at par 188,000,000 ordinary shares of HK\$0.01 each for allotment and issue to holders of shares on the register of members at close of business on 10 April 2007.

(ii) Issuance of shares for public offer and placing

On 17 April 2007, an aggregate of 52,000,000 ordinary shares of HK\$0.01 each were issued and offered for subscription under public offer and placing at a price of HK\$1.50 per share upon the Listing. The Group raised approximately HK\$65,432,000, net of related expenses from the public offer and placing.

- (b) On 25 April 2007, an aggregate of 11,700,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1.50 per share, totaling approximately HK\$16,936,000 upon the exercise of the over-allotment option as described in the prospectus of the Company dated 30 March 2007.

## 13. Commitments

- (a) Operating lease arrangements

	Six months ended	
	30 September 2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
Minimum lease payments paid under operating leases	2,268	1,778

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

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
Within one year	3,397	3,197
In the second to fifth years inclusive	5,638	6,744
	9,035	9,941

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



# Notes to the Financial Statements

## 13. Commitments (Continued)

(b) Capital commitment

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
Capital expenditure outstanding at the balance sheet date but not yet incurred is as follows:		
Contracted but not provided for		
— Investment	1,300	—

## 14. Contingent Liabilities

At the balance sheet date, there were contingent liabilities in respect of:

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
The amount of the outstanding loan granted by a bank to Worldmart Jewelry Gems Emporium (HK) Limited, a related company of the Group for which unlimited guarantee has been given by the Group to the bank	—	8,287

Upon the Listing, the bank had released the above guarantee.

# Notes to the Financial Statements

## 15. Related Party Transactions

- (a) Apart from the related party transaction as disclosed in note 14, during the period, the Group entered into the following significant transactions with its related parties:

	Six months ended 30 September	
	2007 (unaudited) HK\$'000	2006 (audited) HK\$'000
<b>(i) Recurring transactions</b>		
Sale of goods to Noblediam S.L. ( <i>note i</i> )	21,241	10,966
Management fees received from Noblediam S.L. ( <i>note ii</i> )	94	163
Sale of goods to Pesona Noble Jewelry Limited ( <i>note i</i> )	1,130	1,872
Management fees received from Pesona Noble Jewelry Limited ( <i>note ii</i> )	120	120
Rental, utilities charges and building management fees paid to 廣州威樂珠寶產業園有限公司 (Guangzhou Weile Jewelry Industrial Park Company Limited) in which Chan Yuen Hing has beneficial interests ( <i>note iii</i> )	159	—
<b>(ii) Non-recurring transactions</b>		
Sales of goods to Ijewelry.com Limited ( <i>note i</i> )	—	20,322
Management fees received from Worldmart Jewelry Gems Emporium (HK) Limited in which Chan Yuen Hing has beneficial interests ( <i>note ii</i> )	—	46
Purchase of goods from Hesperus Jewelry Company Limited in which Chan Yuen Hing's brother has beneficial interests	—	42

*Notes:*

- (i) Sale of goods was determined at cost of materials and production cost plus a percentage of mark-up.
- (ii) Management fee income received was agreed by both parties at a fixed sum or cost incurred.
- (iii) The rental, utilities charges and building management fees were paid pursuant to the respective lease agreements.

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

## 16. Subsequent Events

On 9 October 2007, the Company's wholly owned subsidiary, 廣州市億鑽珠寶有限公司 (Guangzhou Noble Jewelry Limited) (as the Purchaser) and an independent third party (as the Vendor) entered into an acquisition agreement whereby Guangzhou Noble Jewelry Limited agreed to acquire a production plant from Vendor for a consideration of RMB13.0 million (equivalent to approximately HK\$13.5 million). Details of which were disclosed in the Company's announcement dated 9 October 2007. Up to the date of this report, the acquisition has not yet been completed.

# Management Discussion and Analysis

## Operating Results

The Group achieved steady growth for the six months ended 30 September 2007. This has been the result of stable demand of fine jewelry products from global markets, dedicated efforts in pursuing the Original Strategy Management (“OSM”) business model, the successful implementation of lean manufacturing processes, and drawing on the Group’s design expertise to mitigate the impact of rising material costs as well as the diminishing growth of demand in individual markets like the US and Japan. Group recorded a turnover of up to HK\$357.4 million, a rise of 12.6%, or HK\$40.1 million, over the same period last year (six months ended 30 September 2006: HK\$317.3 million). The gross profit for the review period increased by 17.3% to HK\$91.4 million as compared to HK\$77.9 million for the last corresponding period. Gross profit margin also recorded a modest increase reaching 25.6% compared with 24.6% in same period of 2006. Net profit attributable to equity holders of the Group reached HK\$31.6 million, a rise of 12.5% as compared to HK\$28.1 million for the last corresponding period. Basic earnings per share were approximately HK\$0.12 (six months ended 30 September 2006: HK\$0.13).

## Business Review

### Sales Analysis by Business

With the support of solid customer relations, the Group’s Original Design Manufacturing (“ODM”) business, which underscores the Group’s product development and design expertise, continued to bring in significant sales at HK\$260.3 million (six months ended 30 September 2006: HK\$206.9 million), accounting for 72.8% of the Group’s overall turnover during the review period. Revenue from exclusive and tailor-made ODM products, in particular, increased by a significant 61.5% to HK\$126.0 million (six months ended 30 September 2006: HK\$78.0 million), accounting for 35.2% of the Group’s turnover, whereas the sales from generic ODM products increased slightly by 4.2% to HK\$134.3 million (six months ended 30 September 2006: HK\$128.9 million) which accounted for 37.6% of the Group’s turnover. For the Group’s Original Brand Manufacturing (“OBM”) operations, turnover was HK\$97.1 million (six months ended 30 September 2006: HK\$110.4 million), representing 27.2% of total turnover. The decrease was the result of few OBM customers slowing down and delaying placing orders to the second half of the financial year. OBM sales include revenue from customers’ brands and the Group’s in-house brand names Chad Allison and OriDiam. The management believes the Group’s in-house brand names are still going through their rationalization process and is confident that revenue growth will continue, further contributing to margin improvement.

### Sales Analysis by Geographical Markets

The strong Sterling Pound and Euro against US dollar during the period under review provided an important impetus in driving sales in Europe, the European market delivered encouraging figures and took a leading role in terms of market growth with total sales of up to HK\$100.8 million for the review period, a significant increase of 45.9%, equivalent to 28.2% of the total turnover. The increase was mainly the result of surging demand from a few EU countries and some Russian Federation countries with steadily growing economies and sharp appreciation of European currencies versus the US dollar. Sales from the Middle East accounted for 24.9% of the Group’s turnover for the review period, registering sales of HK\$89.1 million which represented a slight decrease of 3.2% year-on-year. Turnover for the Group’s other core markets, Asian-Pacific countries including China rose by 8.6% to HK\$86.2 million and that from the United States increased by 6.0% to HK\$81.4 million, accounting for 24.1% and 22.8% of the Group’s total turnover during the review period respectively.



# Management Discussion and Analysis

## Business Review (Continued)

### Participation in Industry Development and Awards

Further aiding the Group's ability to bolster profitability has been its exemplary efforts in lean manufacturing for which production efficiency continues to improve. The Company wholly owned subsidiary, Noble Jewelry Limited ("Noble Jewelry") was recognized by the Hong Kong Productivity Council as a model enterprise on lean manufacturing, and in September 2007, the Group's Panyu production base was visited by a delegation organized by The Hong Kong Institution of Engineers as part of a lean manufacturing training course. Furthermore, in November 2007, representatives from The Hong Kong Polytechnic University's School of Professional Education and Executive Development, Hong Kong Jewelry Manufacturers' Association, and the Innovation and Technology Commission of the HKSAR also visited Noble Jewelry's production base. The purpose of the visit was to enable lecturers, industry participants and government officials to gain an understanding of how a successful jewelry manufacturer operates.

On the other hand, reflecting Noble Jewelry's high level of design competence, its 'Drifting Lotus' earrings won the second runner-up honor in the "Buyers' Favorite Design Competition 2007 — Earrings Group", organized by the Hong Kong Jewelry Manufacturers' Association in 2007.

## Prospects

Expansion remains an underlying objective of the Group in terms of markets, customer segments and business opportunities.

Having made steady inroads in the Middle East, Europe, North America and Japan, the Group will seek to consolidate its position in these regions, though at the same time remaining conscious of avoiding being overly dependent on any single market. Continuing to explore fresh opportunities, the Group has implemented constant research on countries and regions as Central and South America, Russian Federation countries, Eastern Europe, Australia and neighbors, etc; uncovering several positive leads for its OSM business.

The Group will dedicate further efforts in developing the PRC market, in which the management believes enormous opportunities are presented. The Group is optimistic about the viability of Trendy Jewelry in light of the PRC government's Eleventh Five-Year Plan in which increased economic support will be extended to the Three Northeast Provinces, namely, Liaoning, Heilongjiang and Jilin. Being an early entrant of fashionable fine jewelry in this region through Trendy Jewelry, the Group is able to capitalize on such positive economic developments. As for other parts of the PRC, the Group will maintain expansion efforts through existing business models and merger and acquisition strategy.

Apart from market expansion, the Group will continue to dedicate efforts in research and development, introducing quality products while utilizing resources in the most effective ways, with an aim of achieving sustainable growth in turnover while maintaining satisfactory margin, and delivering satisfactory returns to shareholders in the long run.

Regarding the Group's in-house brand names, the management has been implementing a series of rationalization on Chad Allison's organization with an aim to fine tune its brand position in the market and dedicate more efforts in product development. On the other hand, OriDiam's business performance is on the right track and has been contributing satisfactorily to the Group's turnover. The Group has full confidence in the two brands contributing positively to the Group's results in the long run.

# Management Discussion and Analysis

## Prospects (Continued)

The Group will continue to look for collaboration, joint venture or merger and acquisition opportunities and apply its international experience and strengths to cultivate the China jewelry distribution retail market. Furthermore, the Group will also continue to develop the rest of the PRC market using the OSM business model. The Group's different strategic business units will help customers to review and identify their market potential, management capability, as well as the buying behavior of their customers. When potential customers are identified, the Group will put dedicated efforts into assisting them to grow and make Noble Jewelry an instrumental part of their business. This synergistic relationship will eventually enable both parties to advance their businesses and create long-term steady revenues for the Group.

## Liquidity and Financial Resources

As at 30 September 2007, the Group's net current assets and current ratio stood at HK\$173.3 million and 1.57 respectively compared to that of HK\$78.6 million and 1.26 respectively as at 31 March 2007. Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of consolidated tangible net worth) as at 30 September 2007 was significantly reduced to 47.2% from 113.1% as at 31 March 2007. The increase in net current assets for the period under review was mainly due to the increase in inventory and accounts receivable as a result of the growth in the Group's business and proceeds received from the new issue of shares in the Company upon Listing while the decrease in the net gearing ratio was mainly due to the enlarged capital base as a result of the new issue of the Company's shares upon Listing.

The Group's total bank borrowings, including bank loans, trust receipts and export loans as at 30 September 2007 was maintained at HK\$169.9 million as compared to that of HK\$177.2 million as at 31 March 2007.

The Group's banking facilities, comprising primarily bank overdrafts, bank loans, trust receipts and export loans, amounted to HK\$207.1 million as at 30 September 2007, out of which approximately HK\$37.2 million was unutilised.

As at 30 September 2007, the Group's cash and bank balances increased to HK\$54.8 million from HK\$10.7 million as at 31 March 2007.

## Charges on Group Assets

As at 30 September 2007, the Group's banking facilities were secured by the Group's land and buildings with carrying amounts of HK\$50.2 million and bank fixed deposits of HK\$1.1 million respectively (31 March 2007: HK\$50.7 million and HK\$1.1 million respectively).

# Management Discussion and Analysis

## Capital Structure

As at 30 September 2007, the Group's total shareholders' funds amounted to HK\$250.7 million, compared with HK\$151.8 million as at 31 March 2007, which was mainly attributable to the issue of new shares of the Company upon Listing. For the six months ended 30 September 2007, the Group financed its liquidity requirements through a combination of shareholders' equity, cash flow as generated from operation, bank borrowings and proceeds from the Listing.

## Capital Commitment and Contingent Liabilities

As of 30 September 2007, the Group has HK\$1.3 million of capital commitments (31 March 2007: Nil).

As at 30 September 2007, the Group did not have any contingent liabilities (31 March 2007: HK\$8.3 million).

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2006/07 annual report.

## Staff and Remuneration Policy

As at 30 September 2007, the Group had a total of 1,723 employees (31 March 2007: 1,691). Staff costs for the period under review was HK\$43.9 million, representing an increase of 21.9% as compared to the corresponding period ended 30 September 2006 of HK\$36.0 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.

## Foreign Exchange Fluctuation and Hedges

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars, Sterling Pounds, Euros and 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 does not seek to hedge its exposure to foreign exchange risk profile. Apart from the arrangement for reducing foreign currency risk with respect to Sterling Pounds after the period under review, the Group does not enter into any foreign currency forward contracts to reduce foreign exchange risk and will consider appropriate hedging measures in future as may be necessary.



# Corporate Governance and Other Information

## Interim Dividend

At a meeting held on 5 December 2007, the Board resolved to declare an interim dividend of HK\$0.04 (2006: Nil) per share for the six months ended 30 September 2007 to be payable to shareholders whose names appear on the register of members of the Company on 21 December 2007. Such dividend will be payable on or about 3 January 2008.

## Closure of Register of Members

The register of members will be closed from Thursday, 20 December 2007, to Friday, 21 December 2007 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the aforesaid interim dividend, all transfers of shares accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch registrars of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 19 December 2007.

## 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 providing an incentive to or as a reward for their contribution to the Group. During the six months ended 30 September 2007, no share option was granted under the share option scheme.

## Directors' Interests and Short Positions in Shares

As at 30 September 2007, the interests and short positions of the Directors and their associates in the shares and underlying shares of the Company ("Share(s)") 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 of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued ordinary share capital of the Company
Mr. Chan Yuen Hing	(Note 1)	173,092,000	63.71%
Mr. Tang Chee Kwong	Beneficial owner	5,002,000	1.84%
Ms. Chan Lai Yung	(Note 2)	2,602,000	0.96%
Mr. Yu Yip Cheong	Beneficial owner	2,646,000	0.97%
Mr. Yeung Kwok Keung, JP	Beneficial owner	350,000	0.13%

Notes:

- (1) Mr. Chan Yuen Hing had 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.
- (2) Ms. Chan Lai Yung had a direct interest of 2,600,000 Shares 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 30 September 2007, no interests and short positions 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

## Substantial Shareholders' Interests in Shares

As at 30 September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders have notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

### Ordinary shares of HK\$0.01 each of the Company

Name of 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 30 September 2007, 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 positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Corporate Governance Practices

During the six months ended 30 September 2007, the Company has adopted and complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## 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 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

## Audit Committee

The Company has an audit committee which was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Ming Yang and Mr. Zhao De Hua. The Group's unaudited interim report for the six months ended 30 September 2007 has been reviewed and approved by the audit committee at an audit committee meeting held on 5 December 2007 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 2007.

On behalf of the Board

**Chan Yuen Hing**

*Chairman*

Hong Kong, 5 December 2007