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)

STRATEGIC GROWTH

ANNUAL REPORT 2008

CORPORATE MISSION

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Chan Yuen Hing *(Chairman)*
Mr. Tang Chee Kwong *(Chief Executive Officer)*
Ms. Chan Lai Yung
Mr. Yu Yip Cheong

Non-executive Director
Mr. Yeung Kwok Keung, JP

Independent non-executive Directors
Mr. Chan Cheong Tat
Mr. Tang Chiu Ming Frank
Mr. Yu Ming Yang

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Qualified Accountant

Mr. Tsang Wing Ki, *FCCA, FCPA*

Company Secretary

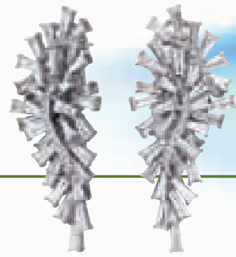
Mr. Sin Lap Poon, *ACIS, ACS*

Head Office and Principal Place of Business in Hong Kong

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

Registered Office

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



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

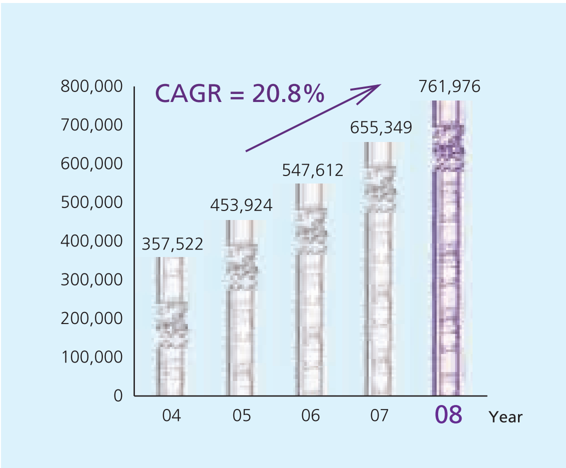
www.noble.com.hk

Stock Code

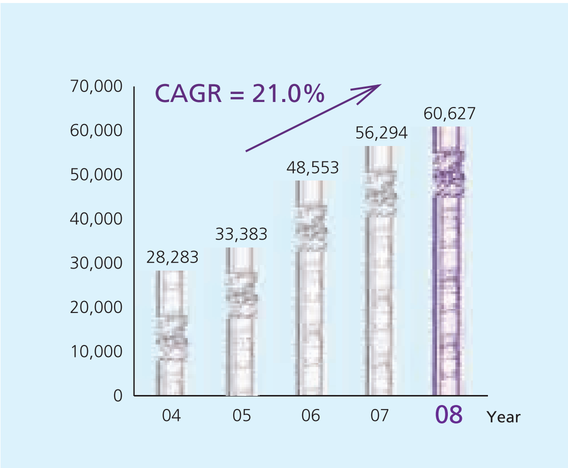
00475

FINANCIAL HIGHLIGHTS

Turnover
for the year ended 31 March
HK$'000

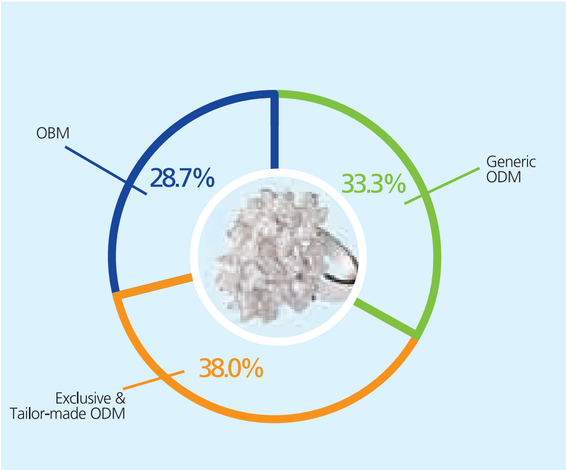


Profit attributable to the equity holders of the Company
for the year ended 31 March
HK$'000

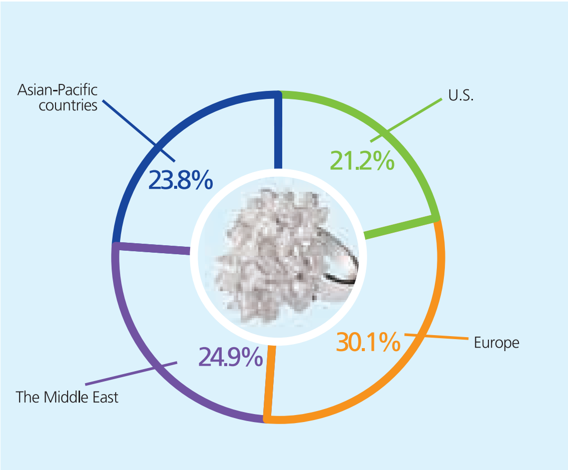


CAGR represents compound annual growth rate

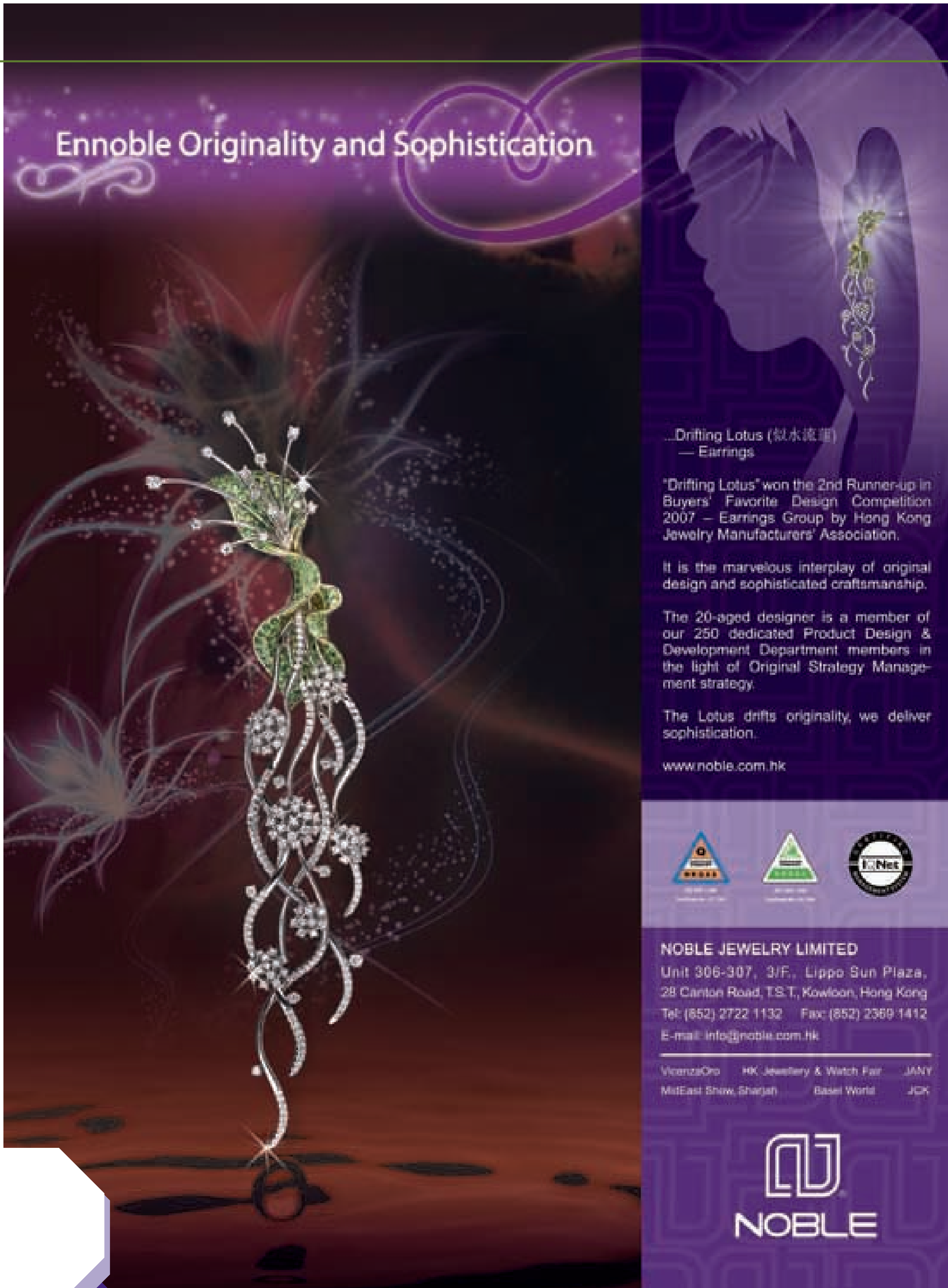
Turnover breakdown by business nature
for the year ended 31 March 2008



Turnover breakdown by geographical location
for the year ended 31 March 2008



OBM represents original brand manufacturing
ODM represents original design manufacturing


Ennoble Originality and Sophistication
...Drifting Lotus
— Earrings
"Drifting Lotus" won the 2nd Runner-up in Buyers' Favorite Design Competition 2007 – Earrings Group by Hong Kong Jewelry Manufacturers' Association.
It is the marvelous interplay of original design and sophisticated craftsmanship.
The 20-aged designer is a member of our 250 dedicated Product Design & Development Department members in the light of Original Strategy Management strategy.
The Lotus drifts originality, we deliver sophistication.
www.noble.com.hk
NOBLE JEWELRY LIMITED
Unit 306-307, 3/F., Lippo Sun Plaza, 28 Canton Road, T.S.T., Kowloon, Hong Kong
Tel: (852) 2722 1132 Fax: (852) 2369 1412
E-mail: info@noble.com.hk
VicenzaOro HK Jewellery & Watch Fair JANY
MidEast Show, Sharjah Basel World JCK
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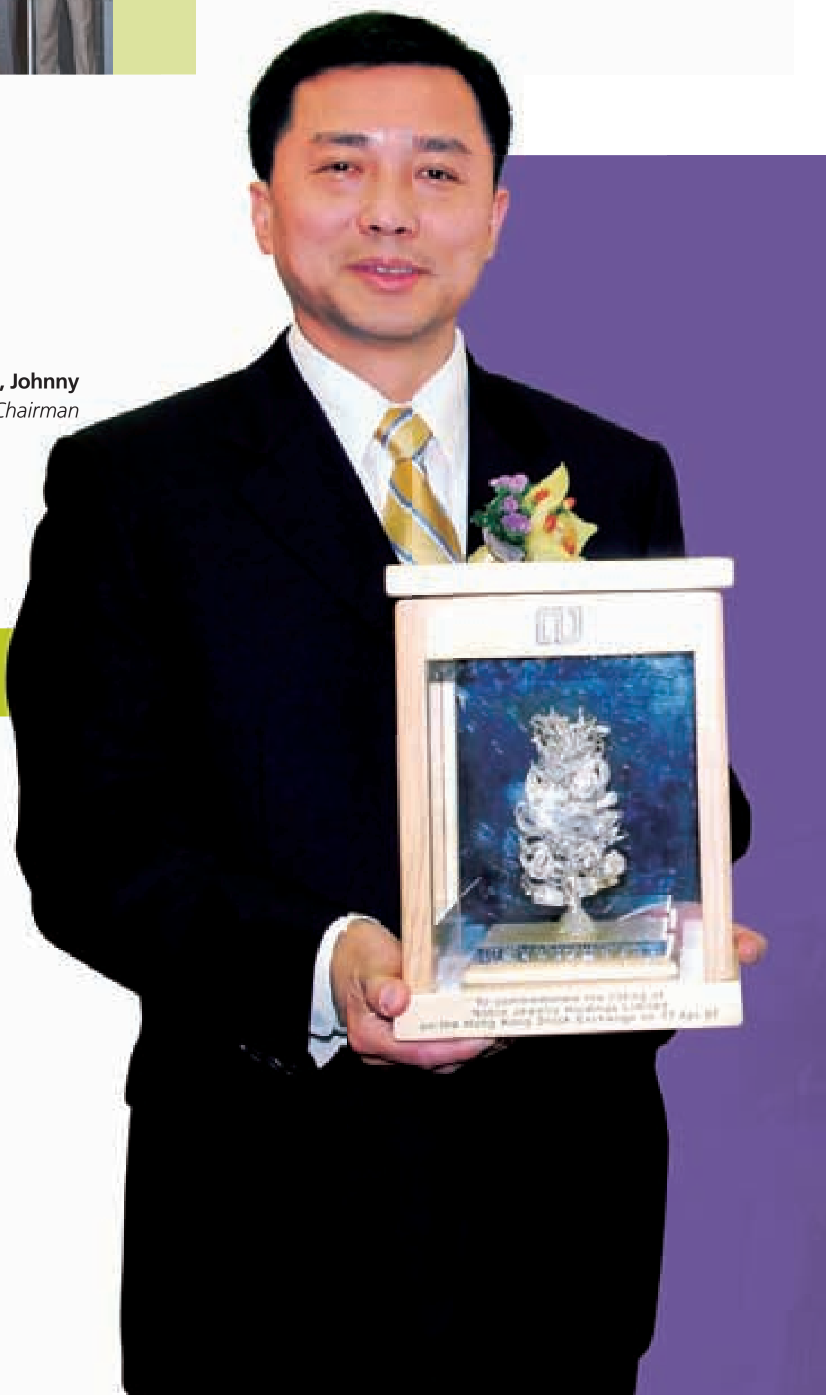
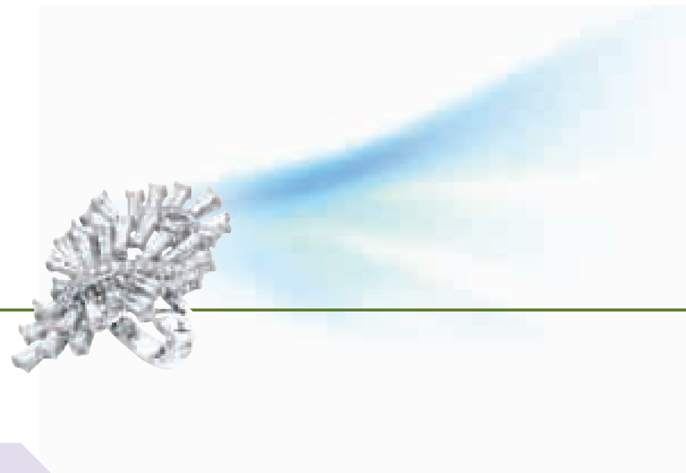
5

SPARKLING LIFE


NOBLE



Mr. Chan Yuen Hing, Johnny
Chairman



Despite a period that proved to be highly challenging for all players in the fine jewelry sector, we are able to maintain positive growth.

To Our Shareholders,

On behalf of the board of directors ("Director(s)") of Noble Jewelry Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries ("Noble Jewelry" or the "Group") for the year ended 31 March 2008.

Despite a period that proved to be highly challenging for all players in the fine jewelry sector, we are able to maintain positive growth. The Group's turnover achieved a modest year-on-year gain of 16.3% to approximately HK$762.0 million while the net profit attributable to shareholders of the Company increased by 7.6% to around HK$60.6 million.

Noble Jewelry's forward momentum was achieved against an increasingly critical economic backdrop and stiff competition within the fine jewelry industry. In particular, the US's economic slowdown as a result of the sub-prime mortgage financial crisis, and keen competition within the Middle East markets, were two of the more pressing issues that the Group had to contend with. Moreover, rising labour and raw material costs represented ongoing concerns that we had been tackling and successfully keeping control of.

To weather the difficulties mentioned, we duly drew on the Group's various strengths as deemed appropriate. For controlling costs and enhancing profits, we capitalized on our strong product development capability, placing emphasis on the effective use of raw materials through distinguishable designs and sophisticated crafting techniques associated with clustered diamond. By implementing business diversification strategy to explore emerging markets with potential growth, we have succeeded in expanding our worldwide customer networks, which included penetrating new markets in Eastern Europe and Asia, and in turn sowing the seeds for fresh growth opportunities while better minimizing risks of market uncertainties. Also, our ability to administer the Original Strategy Management ("OSM") business model to identify potential customers and assist their business growth has reaped mutual benefits while at the same time enabled us to develop niche markets. The effective management of our in-house brands like OriDiam, has also allowed us to generate further turnover and better margins, and represented sources of revenue that was expected to increase when the brand matures in its respective market.

While successfully overcoming several obstacles that appeared in our way during the latest financial period, we are fully aware of the challenges ahead. The appreciation of the Renminbi ("RMB") and weakening of the U.S. dollar; ongoing rise in raw material prices; and the slowdown of the U.S. economy impacting on the global market sentiment, are the major issues that the Group will continue to encounter in the coming year. To better equip ourselves to mitigate the effects of these macro-economic factors, we will continue to strengthen our product development capability to consolidate the Group's position as a leading international jewelry service provider. Complementing such will be efforts directed toward brand management and brand value enhancement, both for our in-house brands and those of our customers. In addition, proactively extending our reach across China via our joint venture in Trendy Jewelry Limited ("Trendy Jewelry") as well as collaboratively with Shanghai City Temple The First Shopping Center Limited ("Chenghuang Jewellery"), a new strategic partner, will pave the way to fresh revenue streams in the years to come. Accordingly, we will continue to seize meaningful development and collaboration opportunities such as sub-contracting, merger and acquisition to improve production capacity and enhance our retail sales network across the PRC, thus establishing the requisite components to become a full-fledged player in both the country and across the globe.

Appreciation

On behalf of the board of Directors (the "Board"), I would like to express my gratitude to the Group's shareholders, customers and business partners for their patronage and support – a year on since Noble Jewelry's listing on the Main Board of The Stock Exchange of Hong Kong Limited. Likewise, our dedicated management team and staff are well deserving of praise for their tireless work. We will continue to dedicate our utmost efforts in fulfilling our strategic objectives and delivering sustainable, long-term returns to our shareholders.

Chan Yuen Hing
Chairman
Hong Kong, 16 July 2008


Ennoble Sophistication
The Wax Tree
The Wax Tree showcases the sophistication and effectiveness of Noble's lean manufacturing model in the light of Original Strategy Management strategy.
Riding on its symbolic meaning, Noble has once made one in silver and presented as a corporate souvenir to The Stock Exchange of Hong Kong at its listing ceremony at 2007. A duplicate one will be displayed at the "Hong Kong Design Series VI: Jewelry for Life" exhibition at the Hong Kong Heritage Museum, which is opened to the public from 17 May 2008 to February 2009. Noble is among the few famed local fine jewelry brands being invited to display representative works at the Museum.
Noble, your international OSM fine jewelry specialist.
www.noble.com.hk
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E-mail: info@noble.com.hk
HK Int'l Jewellery Show JANY Basel World
MidEast Show, Sharjah VicenzaOro JCK
NOBLE

Mr. Tang Chee Kwong, Stephen
Chief Executive Officer

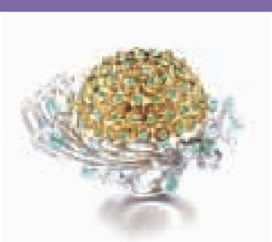
1. The fiscal year 2007/08 witnessed Noble Jewelry's business growth in China. What strategy does the Group have to continue extending its business presence in the China market?

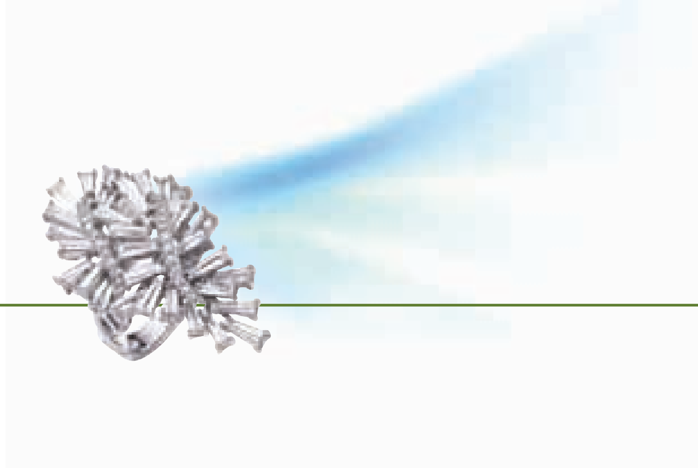
Tapping the fast-growing and vast jewelry retail market in China will continue to be one of the main business focuses of Noble Jewelry in the next few years. We will build on the achievements we made in the 2007/08 financial year to expand in the China market.

In the past year, we have launched various initiatives in China to implement our development strategy in China. In August 2007, we established a joint venture with three Hong Kong jewelry exporters to develop a jewelry retail network in Northern China. In April 2008, we conditionally acquired 20% equity interest of a renowned jewelry brand in Shanghai, Chenghuang Jewellery, and entered into a business cooperation agreement and trademark license agreement, marking yet another important step of our penetration into the China jewelry retail market. These moves have paved the path to expand the Group's OBM business in the country and are expected to bring long-term contribution in the years ahead.

Securing ownership of our existing production plant in Panyu in October 2007 also strengthened our production infrastructure giving us greater control and more solid support in pursuing our expansion strategy.

Moving forward, we will continue to grasp different business opportunities in China, including mergers and acquisitions, with potential to bring profits and other benefits to the Group in the long run. Other modes of business collaboration, such as joint venture, will also be considered.





2. We saw sales growing slower in the past year in your traditional major markets in the Middle East and U.S. Why and what are you going to do to address this slowdown?

Market diversification has always been an important corporate strategy of Noble Jewelry.

The Middle East and U.S. markets have been our major markets over the years and they still contribute significantly to the Group's sales. To ensure we are not relying too much on certain markets, we are actively extending our presence by horizontal and vertical expansion. Horizontally, the management has explored potential markets in other regions, including countries in Western and Eastern Europe, South America and the Russian Federation. We have also been expanding our customer segments through reaching out to patrons of chain stores and branded jewelries.

We believe the more diversified our market and customer portfolio is, the lesser would our overall performance be affected by the slowdown in individual markets. We will actively develop potential markets to ensure healthy and sustainable business growth for Noble Jewelry in the long run.

3. The surge in raw material prices and appreciation of the RMB will continue to exert pressure on Noble Jewelry's overall margin. How do you improve the Group's margin in the long run?

The management of Noble Jewelry has implemented various measures over the past years aiming at improving its overall margin. Some of those measures are still in their incubation stage, but they are expected to start bringing in contribution soon.

These measures include, but not limited to, the continuous adoption and ceaseless improvement of our "lean manufacturing" operation model and stringent cost control measures, which can boost production efficiency and eventually lower our operating costs. We have prudently established sub-contracting mechanism to enhance our production capacity. It is believed that constant enhancement of our product development and manufacturing capabilities, diligent pursuit of "lean manufacturing" and recycling of outmoded jewelry, will help to mitigate rise in raw material costs effectively.

As for the surge in operating costs resulting from appreciation of the RMB, we expect it to be offset by the increasing RMB revenues from our new business initiatives in China, wherein we are introducing own brands and expanding retail operations.

Last but not least, the efforts we made in restructuring our in-house brands, OriDiam and Chad Allison, have started to bear fruits, bringing in revenue at a substantially higher margin level than our current design manufacturing business.

4. The global market environment is changing constantly. How do your management philosophy and the Group's OSM business model cope with the changes? How does the OSM model benefit the Group under the new market environment?

Changes are perpetual in global market environment. It is important for us to always stay abreast of different market situations and respond swiftly to satisfy customer needs in a timely manner.

Apart from accurate market research and analysis, timely decision making, efficient management and operation, we believe it is salient to have dedicated corporate culture, solid long-term objectives, feasible plans and effective management and operations to cope with constant changes.

We, at Noble Jewelry, are dedicated to upholding four basic principles of our corporate culture that have contributed to our success:

i. Emphasise people-oriented management
ii. Encourage culture of innovation
iii. Promote a positive mindset
iv. Adopt MBO (Management By Objective) and MBE (Monitoring By Exception)

We believe people are our most important assets, especially under our OSM business model where substantial human and knowledge capital investments are required. Noble Jewelry's OSM business model offers customers an integrated supply chain and management mix services covering original design and manufacturing, raw material procurement, product and branding support, sales and marketing management, inventory management and logistics support, etc. To ensure the most effective use of our business resources and knowledge, we are working closely with the Hong Kong Productivity Council to run the "Customer Knowledge Management" model, which can further streamline our operation processes and enhance the effectiveness and efficiency of services to customers.

With the objective of assisting our customers to grow, the OSM model benefits the Group by opening up steady revenue streams through solid growth of our customers' business. The management believes this kind of long-term and stable customer relationships, supported by quality products and human capital, will enable the Group to maintain sustainable growth in the long run no matter how worldwide markets change.

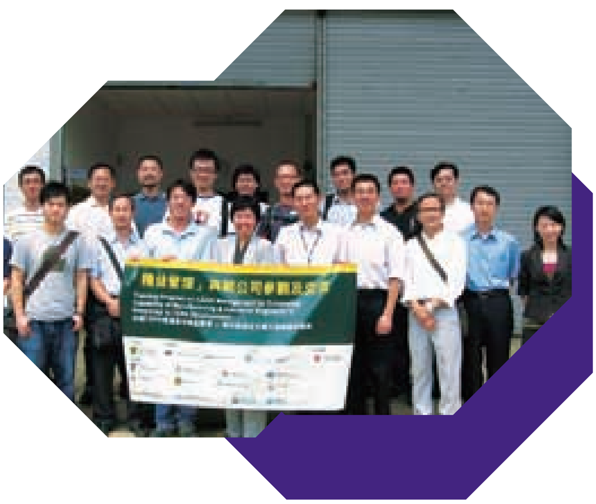
Operating Results

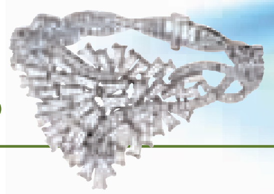
Despite a challenging operating environment, the Group implemented a series of strategic business initiatives and was able to sustain its performance during the year ended 31 March 2008. To mitigate the impact from the U.S. economic slowdown, Noble Jewelry has been diversifying its businesses to emerging markets with better growth potential. Consequently, the Group's turnover increased moderately by 16.3% to HK$762.0 million (2007: HK$655.3 million). To offset rising prices for raw materials and operating costs due to RMB appreciation, Noble Jewelry continued to implement tight budgeting control and lean manufacturing practices thereby enabling it to maintain gross profit margin at 25.9% (2007: 25.8%). Net profit attributable to shareholders of the Company rose 7.6% to HK$60.6 million (2007: HK$56.3 million). The different pace of net profit and turnover growth was attributable to added expenses for activities associated with the Group's in-house brands and retail business development strategies. Basic earnings per share was approximately HK$0.23 (2007: HK$0.27). The Board of Directors recommended the payment of a final dividend of HK$0.06 (2007: HK$0.06) per ordinary share for the year ended 31 March 2008.

Business Review

Sales Analysis by Geographical Market

For the year ended 31 March 2008, Noble Jewelry recorded higher sales growth from its European market, up 33.9% to HK$229.4 million, due to a stronger Euros, satisfactory organic growth, as well as the Group's successful penetration into new markets such as countries within the Russian Federation. Similarly, sales across Asian-Pacific countries rose measurably by 28.3% to HK$180.7 million as a result of the Group's efforts in further penetrating into the PRC market and aggressively reaching out to new markets including the Philippines and Indonesia. In China, the Group recorded sales of HK$51.8 million, representing a surge of 693.1%, benefiting from the country's rising GDP as well as the commencement of the Group's PRC business segment





from late November 2006. In the Middle East market, keener competition among market players resulted in only a moderate increase in sales that totaled HK$190.1 million, up 1.6%. Lastly, in the United States, despite an economic slowdown brought about by the sub-prime mortgage crisis, the Group achieved a 3.7% increase in sales to HK$161.8 million.

Sales Analysis by Business

In the year under review, the ODM which comprises generic, exclusive and tailor-made ODM continued to bring in significant sales at HK$543.4 million (2007: HK$443.3 million), accounting for 71.3% of the Group's total turnover. Revenue generated from exclusive and tailor-made ODM products increased significantly by 76.2% to HK$289.8 million (2007: HK$164.4 million), representing 38.0% of the Group's turnover, whereas sales from generic ODM products decreased slightly by 9.1% to HK$253.6 million (2007: HK$278.9 million), equivalent to 33.3% of total turnover.

Turnover of OBM business recorded HK$218.6 million (2007: HK$212.0 million), representing a slight increase of 3.1% from previous year and accounted for 28.7% of the total turnover. The OBM business includes sales of customers' brands and the Group's in-house brands — Chad Allison and OriDiam. The overall composition of the Group's customer brand manufacturing business has continued to evolve as more customers have sought for tailor-made design manufacturing services instead of traditional generic ODM services. An important component of the Group's customer brand manufacturing business is the OSM business model. The Group provides marketing and branding support to customers with great potential to accelerate the growth of their businesses. This has been one of Noble Jewelry's key strategies to induce long term business growth by assisting its customers to grow their businesses.

OriDiam and Chad Allison, which constitute the Group's in-house brand business, achieved diverse results during the year under review. While OriDiam performed strongly in Europe achieving sales increase of 16.4%, Chad Allison underwent a revitalization phase during which management and operational restructuring were carried out to cope with the volatile economic environment and to improve its sales performance. The management is of the opinion that the Group's in-house brands will continue to mature in their respective markets, allowing for further revenue growth and enhanced margin, and contributing to a larger portion of Noble Jewelry's total turnover in the coming years.

Margin Analysis

Although confronted with surging material costs and operating costs due to RMB appreciation, the Group was able to maintain its gross margin at 25.9% for the year under review (2007: 25.8%) by seeking to mitigate such price pressures through various cost control methods. While lean manufacturing for enhancing production efficiency has been an ongoing practice, the Group has been able to optimize the use of raw materials through complex designs and advanced crafting techniques associated with clustered diamonds. Most importantly, the Group has been successful and timely in transferring most of the material cost increases to customers.

On top of the aforesaid rising material and operating costs, the Group incurred additional expenses resulting from brand building and retail network establishment initiatives that include marketing and promotion activities, as well as investment in retail business. Furthermore, Noble Jewelry's commitment to expanding in the PRC also called for additional investment spending. Additional resources were also allocated towards the rationalization of Chad Allison with the goal of better aligning its brand position in the U.S. market. All of the above impacted the Group's net profit margin for the year, resulting in a slight dip from 8.6% in 2007 to 8.0% in 2008.


Ennoble Originality and Sophistication
...When Leafage Loves Flower — Ring
To have and not to hold. Leafage falls in love with flower but sometime he knows how to leave her alone with cozy freedom.
It is the marvelous interplay of original design and sophisticated craftsmanship.
This 24-aged youthful designer is one member of our 250 dedicated Product Design & Development Department member in the light of OSM strategy.
The leave expresses adoration, we express romance.
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MidEast Show, Sharjah Basel World JCK
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Retail Network in Northern China

As a means to extending the Group's reach across the PRC, Noble Jewelry entered into a joint venture agreement with three independent Hong Kong jewelry exporters in August 2007, for the establishment of Trendy Jewelry. With a 32.5% stake in Trendy Jewelry, the Group participated in a retail business joint venture targeting the Northern China market. After months of trial run in operating a retail jewelry outlet in Shengyang, PRC, the brand equity and its market positioning have been successfully established. Better prospects are expected as Trendy Jewelry continues to look for other potential locations across the regions for expansion.

Acquisition of Production Facilities

Consistent with the Group's plans for purchasing facilities to bolster production, the management had subsequently decided to acquire the facilities in Panyu, for which it had previously been renting, for RMB13 million. It is part of the Group's manufacturing rejuvenation plan and was entirely funded by net proceeds from the initial public offering in April 2007. By acquiring the production plant and terminating the pertaining leases, the Group would reduce rental costs and secure its main production base to maintain a sustainable competitive position in the market. As Noble Jewelry continues to expand its business presence across the globe, the management will continue to look out for suitable facilities in the Panyu area to further support growth of the Group's business.

Exhibitions Entered During the Year

Recognizing the significance of generating international exposure and reaching out to customers, the Group participated in 33 jewelry shows and exhibitions for enhancing communications with the customers and markets during the year (2007: 26). These included BASELWorld in Switzerland, VicenzaOro in Italy, the JCK Show — Las Vegas in the United States, and the Hong Kong Jewelry and Watch Fair 2007, etc. These exhibitions enable us to maintain contacts with our global customers and to showcase our newest collections.

Prospects

To implement the Group's China business development strategies and plans, the Group has conditionally acquired 20% equity interests in Chenghuang Jewellery in April 2008 for a total consideration of RMB44.3 million. The strategic alliance, which encompasses a business cooperation agreement and trademark license agreement, will enable Noble Jewelry to tap the fast-growing and vast jewelry retail market in China. The acquisition of 20% equity interests in Chenghuang Jewellery also allows the Group to share profit contributions, which will be reflected in Noble Jewelry's financial results in the upcoming reporting period. In addition to benefiting from Chenghuang Jewellery's existing retail network, which includes a flagship mall in Shanghai and 11 specialty outlets across the country, the Group is looking into other potential business opportunities riding on the cooperative arrangement with this long-standing jewelry brand which Mainland Chinese are very familiar with.

Outside of the PRC, Noble Jewelry is equally committed to accessing new markets so as to capture the potential growth of different markets and better diversify the risks of economic uncertainties that may arise in a particular region. Accordingly, while Noble Jewelry has made significant inroads across the Russian Federation, the Group will continue to explore opportunities in such areas as Central and South America, Eastern Europe, Africa and Australia, etc.

Complementing our expansion drive will be the ongoing focus on bolstering the Group's business development of in-house brands. While the management is confident that OriDiam will maintain the growth momentum achieved last year, measures are being taken to enhance operations at Chad Allison which are expected to bring in better results for the coming financial year.

Leveraging on Noble Jewelry's financial establishment, the Group will continue to explore opportunities for mergers and acquisitions that could enhance the Group's business operation, such as strengthening production, product development and brand building capacity and expanding the brand and retail network in PRC. The management believes the Group's dedication in brand and retail network building, product development, quality management and market diversification, as well as its ongoing application of prudent investment principles will ensure Noble Jewelry to continue its growth in the years ahead.

Liquidity and Financial Resources

As at 31 March 2008, the Group's liquidity position has been strengthened after taking into account the net proceeds from its listing on the Stock Exchange on 17 April 2007 (the "Listing") totaling approximately HK$82.3 million.

As at 31 March 2008, the Group's net current assets and current ratio stood at HK$214.5 million and 1.64 respectively (2007: HK$78.6 million and 1.26 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of consolidated tangible net worth) was 48.5% as at 31 March 2008 (2007: 113.1%). The increase in net current assets and the decrease in net gearing ratio for the year under review were mainly attributable to the increases in inventories, accounts receivable, reclassification of the Properties as held for sale and the receipt of the net proceeds from the Listing.

The Group's total bank borrowings, including bank overdrafts and bank loans as at 31 March 2008 which decreased by 7.8% over last year to HK$163.3 million (2007: HK$177.2 million), was mainly due to repayment of certain bank loans out of the net proceeds as a result of the Listing.

The Group's banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK$258.0 million as at 31 March 2008, out of which approximately HK$94.7 million was unutilised.

As at 31 March 2008, the Group's cash and bank balances amounted to HK$34.2 million (2007: HK$10.7 million).

Charges on Group Assets

As at 31 March 2008, the Group's banking facilities were secured by the Group's land and buildings with carrying amounts of HK$19.5 million and bank fixed deposits of HK$1.1 million respectively (2007: HK$50.7 million and HK$1.1 million respectively).

Capital Structure

For the year ended 31 March 2008, the Group financed its liquidity requirements through a combination of cash flow as generated from operation, bank borrowings and proceeds from the Listing.

Capital Commitment and Contingent Liabilities

As of 31 March 2008, the Group has HK$3.2 million of capital commitments (2007: Nil).

As at 31 March 2008, the Group did not have any contingent liabilities while there were contingent liabilities in respect of an outstanding bank loan of HK$8.3 million granted to a related company of the Group for which an unlimited guarantee has been given by the Group to the bank as at 31 March 2007. The bank had released the above guarantee upon the Listing.

Staff and Remuneration Policy

As at 31 March 2008, the Group had a total of 1,695 employees (2007: 1,691). Staff costs for the year ended 31 March 2008 was approximately HK$88.0 million, representing an increase of 17.8% as compared to 2007 of HK$74.7 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 3,360,000 share options were granted to eligible participants under the scheme up to the date of this annual 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 U.S. dollars, Euros, British Pounds and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the year, the Group entered into certain forward currency contracts. The purpose is to manage the currency risks arising from the Group's highly probable foreign currency forecast sales.

Apart from the arrangement for reducing foreign currency risk with respect to RMB, Euros and British Pounds, the Group does not seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measure in future as may be necessary.

CORPORATE HIGHLIGHTS

April 2007

Noble Jewelry Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 00475).

June 2007

Noble Jewelry was invited to take part in the Hong Kong Equities Conference Day in Singapore.

September 2007

A model enterprise on lean manufacturing recognized by the Hong Kong Productivity Council, Noble Jewelry received a Hong Kong Institution of Engineers delegation attending a lean manufacturing training course at its production plant in Panyu.

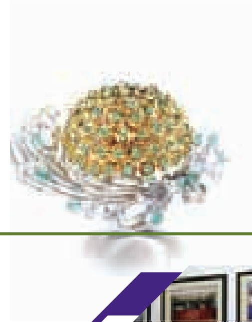
Noble Jewelry sponsored the Hong Kong International Jewelry Gala Evening 2007.

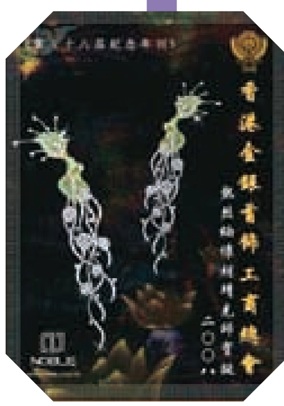
October 2007

Noble Jewelry purchased its existing production plant in Panyu at a consideration of RMB13.0 million.

A necklace created by Noble Jewelry, "Flying Dragon & Dancing Phoenix", made front cover of Jewelry Express (Fall / Winter 2007).

Noble Jewelry was invited by the Hong Kong Heritage Museum as a guest exhibitor in the "Hong Kong Design Series VI: Jewellery for Life" exhibition held between 17 May 2008 and 16 February 2009.





November 2007

Noble Jewelry received a delegation from the Hong Kong Jewelry Manufacturers' Association, the School of Professional Education and Executive Development of the Hong Kong Polytechnic University and the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region at its production plant in Panyu.

Noble Jewelry received a delegation of the Federation of Hong Kong Industries at its production plant in Panyu.

Noble Jewelry donated scholarships to excellent students of the Hong Kong Institute of Vocational Education.

December 2007

Noble Jewelry won the 2nd Runner-up in Buyers' Favorite Design Competition 2007 - Earring Group organized by the Hong Kong Jewelry Manufacturers' Association. The winning design was featured on the cover Annual Book 2008 of Hong Kong Gold & Silver Ornament Workers & Merchants General Union and Jewelry News Asia (January 2008 issue).

Noble Jewelry donated a diamond necklace as a Special Lucky Draw prize to the Hong Kong Young Industrialists Council 2007/08 inauguration ceremony.

February 2008

Noble Jewelry appointed Mr. Tang Chiu Ming Frank as an Independent non-executive Director and a member of Audit Committee.

March 2008

Noble Jewelry's first annual report (Annual Report 2007) earned ''Winning Status" at the 21st Annual International Mercury 2007/08 Awards organized by MerComm, Inc.

Noble Jewelry organized annual "Business Plan Forum 2008" to discuss business development plans.

TRADESHOW OVERVIEW

2007	Tradeshow	City/Country
April 10 - 13	Jewelry Shanghai 2007	Shanghai, China
April 12 - 19	BASELWorld	Basel, Switzerland
April 25 - 29	23rd MidEast Watch & Jewellery Spring Show, Sharjah	Sharjah, U.A.E.
May 12 - 16	VicenzaOro Spring	Vicenza, Italy
May 17 - 19	* 11th International Jewellery Kobe (IJK)	Kobe, Japan
May 28 - 31	GLDA Las Vegas Gem & Jewelry Show	Las Vegas, U.S.
June 1 - 5	JCK Las Vegas Show	Las Vegas, U.S.
June 15 - 18	China International Gold, Jewellery & Gem Fair	Guangzhou, China
June 28 - July 1	* Korea International Jewelry & Watch Fair	Coex, Korea
July 29 - August 1	JA International Jewelry (Summer) Show	New York, U.S.
August 12 -14	JAA Australian Jewellery Fairs, Sydney	Sydney, Australia
September 2 - 5	International Jewellery London (IJL)	London, U.K.
September 13 - 17	8th Shenzhen Int'l Jewellery Fair	Shenzhen, China
September 15 - 19	VicenzaOro Autumn	Vicenza, Italy
September 25 - 29	HK Jewellery & Watch Fair	Hong Kong
October 12 - 14	Hong Kong Jewelry Exhibition	Miami, U.S.
October 19 - 22	Jewelers International Showcase (JIS)	Miami, U.S.
October 24 - 28	MidEast Watch & Jewellery Autumn Show, Sharjah	Sharjah, U.A.E.
October 28 - 30	JANY Special Delivery Show	New York, U.S.
November 1 - 5	2007 China International Jewelry Fair	Beijing, China
November 13 - 17	Jewellery Arabia, Bahrain	Bahrain, U.A.E.
December 11 - 15	Jewellery Collections Dubai	Dubai, U.A.E.

2008	Tradeshow	City/Country
January 13 - 20	First (VicenzaOro Winter)	Vicenza, Italy
January 19 - 21	Jewelers International Showcase (JIS)	Miami, U.S.
January 23 - 26	* 19th International Jewellery Tokyo (IJT)	Tokyo, Japan
January 26 - 28	* Hong Kong Jewelry Trade Show at Hilton New York	New York, U.S.
February 3 - 7	Spring Fair Birmingham	Birmingham, U.K.
February 6 - 10	* 16th International Jewelry Exhibition – Junwex St. Petersburg	St. Petersburg, Russia
February 15 - 18	Inhorgenta Europe	Munich, Germany
February 28 - March 2	* Macau International Jewelry & Watch Fair	Macau
February 28 - March 3	* Hong Kong Airport Jewellery Show	Hong Kong
March 4 - 8	Hong Kong International Jewellery Show	Hong Kong
March 9 - 11	JA New York Winter Show	New York, U.S.

* *New shows joined during the 2007/08 financial year*

Executive Directors

Mr. Chan Yuen Hing (also known as Mr. Johnny Chan), aged 47, is our chairman and an executive Director. Mr. Johnny Chan is our founder starting the business in 1983 as a sole proprietorship. Mr. Johnny Chan has over 20 years' experience in the jewelry industry and is familiar with the jewelry markets in Hong Kong, the U.S., Europe, the Middle East and Japan. Mr. Johnny Chan is responsible for overall strategic planning and development. Mr. Johnny Chan completed an advance learning program for an executive master's degree in business administration in the Zhong Shan University (中山大學) in 2004. Mr. Johnny Chan is a director of the Hong Kong Jewellery & Jade Manufacturers Association and the vice-president of the fourth congress of the Gem & Jewelry Trade Association of China. Mr. Johnny Chan was awarded the Young Industrialist Awards of Hong Kong in 2000 and the Fellowship of Asian Knowledge Management Association in 2005.

Mr. Tang Chee Kwong (also known as Mr. Stephen Tang), aged 54, is our chief executive officer and an executive Director. He joined the Group in 2002 and is responsible for business policy formulation and execution. Mr. Stephen Tang had previously worked at the Hang Seng Bank for almost 30 years and was a senior relationship manager at the time of his resignation from the bank in 2002. Under sponsorship by the Hang Seng Bank, Mr. Stephen Tang completed an executive development program organised by the Kellogg Graduate School of Management at the Northwestern University in the U.S. in 1997. Mr. Stephen Tang is an associate member of The Hong Kong Institute of Bankers and The Chartered Institute of Bankers in the United Kingdom.

Ms. Chan Lai Yung (also known as Ms. Amy Chan), aged 58, is an executive Director. She joined the Group in 1992 and is responsible for the management and administration of the Group. Ms. Amy Chan has over 15 years' operational and management experience in the jewelry industry. Ms. Amy Chan obtained a bachelor's degree in business administration from the Open University of Hong Kong in 2007.

Mr. Yu Yip Cheong (also known as Mr. Raymond Yu), aged 57, is an executive Director. He joined the Group in 1995 and is responsible for the overall sourcing and purchasing of the Group's raw materials including, diamonds, pearls, color stones and other precious stones. Mr. Raymond Yu has over 35 years' experience in the jewelry industry.

Non-executive Director

Mr. Yeung Kwok Keung, JP, aged 60, was appointed as a non-executive Director in October 2006. Mr. Yeung has more than 35 years' experience in management in IT and the logistics industry. He had previously served on the Hong Kong Productivity Council and the Hong Kong Vocational Training Council as a council member as well as a member of the Personal Data (Privacy) Advisory Committee at the Office of the Commissioner for Personal Data Privacy. Mr. Yeung was also a member of the Logistics Industry Training Advisory Committee of the Education and Manpower Bureau, the Shepherd of the H-Logistics Project Group and a member of the Hong Kong Logistics Development Council before his retirement.

Independent Non-executive Directors

Mr. Chan Cheong Tat (also known as Mr. Roger Chan), aged 58, was appointed as an independent non-executive Director in October 2006. Mr. Roger Chan served in the Inland Revenue Department of the Government of the Hong Kong Special Administrative Region for over 30 years and was the Assistant Commissioner of Inland Revenue Department when he retired in 2005. Mr. Roger Chan obtained his master's degree in financial management from Central Queensland University in 1995. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and CPA Australia. He is also an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Mr. Roger Chan is currently an independent non-executive director of Guangdong Tannery Limited (stock code: 01058) whose shares are listed on the Stock Exchange and managing director of CT Tax Consultants Co., Ltd.

Mr. Tang Chiu Ming Frank (also known as Mr. Frank Tang), aged 65, was appointed as an independent non-executive Director in February 2008. Mr. Frank Tang has over 30 years' experience in the jewelry industry and was the founding chairman of The Hong Kong Jewelry Manufacturers' Association. Mr. Frank Tang is currently a member of Appeal Board Panel under the Consumer Goods Safety Ordinance and the chief executive officer of ACCA Jewelry Limited.

Mr. Yu Ming Yang, aged 44, was appointed as an independent non-executive Director in October 2006. Mr. Yu has been a professor of Shanghai Jiaotong University since September 2005. Mr. Yu obtained his doctorate in economics from Fudan University in 1996. He is an Associate Academician of International Informatization Academy and a committee member of the fourth Guangdong Province Shenzhen Committee of the Chinese People's Political Consultative Conference. Mr. Yu is currently an independent director of 大連獐子島漁業集團股份有限公司 (stock code: 002069), whose shares are listed on the Shenzhen Stock Exchange.

Senior Management

Mr. Chan Wing Nang (also known as Mr. Alex Chan), aged 44, is the director of sales and marketing of the Group. He joined the Group in 2007 and is responsible for formulating the overall sales and marketing strategies of the Group. Mr. Alex Chan obtained a master's degree in business administration from the University of Leicester in 1993. Mr. Alex Chan has over 20 years' experience in sales and marketing.

Mr. Lai Wang, aged 41, is the general manager of the Panyu Plant. He joined the Group in 2004 and is responsible for the production management of the Group. Mr. Lai graduated from Renmin University of China with a bachelor's degree in economics in 1989. Mr. Lai has over 10 years' experience in factory management.

Mr. Tsang Wing Ki (also known as Mr. Edmond Tsang), aged 46, is the financial controller of the Group. He joined the Group in 2005 and is responsible for the Group's accounting and financial matters. Mr. Edmond Tsang obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in 2000. Mr. Edmond Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Edmond Tsang has over 20 years' experience in the auditing and financial accounting.

Mr. Sin Lap Poon (also known as Mr. Eddie Sin), aged 35, is the company secretary of the Group. He joined the Group in 2004 and is responsible for the Group's human resources, administration and company secretarial matters. Mr. Eddie Sin obtained a master's degree in professional accounting and information systems from the City University of Hong Kong in 2004. Mr. Eddie Sin is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom. He has approximately 10 years' experience in human resources, administration and company secretarial duties.

Directors of the Company are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2008.

Principal Activities

The Group is principally engaged in the design, manufacture and trade of fine jewelry products. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 March 2008 and the state of affairs of the Company and the Group as at that date are set out in the financial statement on pages 43 to 103 of this Annual Report.

The Directors recommend the payment of a final dividend of HK$0.06 per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 15 August 2008. The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2009. Subject to shareholders' approval at the forthcoming annual general meeting (the "Annual General Meeting"), such dividend will be paid on or about 26 August 2008.

Closure of Register of Members

The register of members will be closed from Wednesday, 13 August 2008 to Friday, 15 August 2008 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 12 August 2008.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 104 of this Annual Report.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

Subsidiaries

Particulars of the Group's principal subsidiaries are set out in note 17 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

Borrowings

Details of the borrowings of the Group are set out in note 26 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

Directors

The Directors during the year and up to the date of this Annual Report are:

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. Tang Chiu Ming Frank	(appointed on 1 February 2008)
Mr. Yu Ming Yang	
Mr. Zhao De Hua	(resigned on 11 January 2008)

Directors (continued)

In accordance with Article 87 of the articles of association of the company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. Mr. Tang Chee Kwong, Mr. Chan Cheong Tat and Mr. Yeung Kwok Keung, JP shall retire from office by rotation and be eligible for re-election at the Annual General Meeting. Mr. Tang Chee Kwong and Mr. Chan Cheong Tat have offered themselves for re-election. However, Mr. Yeung Kwok Keung, JP indicated that he would not offer himself for re-election at the Annual General Meeting due to his retirement. Mr. Yeung Kwok Keung, JP confirmed that he has no disagreement with the Board and the Company and there is no other matter in relation to his retirement that needs to be brought to the attention of the shareholders.

In accordance with Article 86(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Mr. Tang Chiu Ming Frank, having been appointed as Director on 1 February 2008 to fill a casual vacancy, shall retire from office at the Annual General Meeting and, being eligible, offers himself for re-election at the Annual General Meeting.

The biographical details of the Directors are set out under the section "Directors and Senior Management" of this Annual Report.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

Directors' Service Contracts

Each of Mr. Chan Yuen Hing, Mr. Tang Chee Kwong, Ms. Chan Lai Yung and Mr. Yu Yip Cheong, being the executive Directors, has entered into a service contract with the Company for a term of three years commencing on the date of the Listing (the "Initial Term"), until terminated by either party during the Initial Term by giving written notice of three months to the other party. Save as disclosed herein, none of the executive Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group.

Mr. Yeung Kwok Keung, JP, the non-executive Director and each of Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang, being the non-executive Directors, has entered into a letter of appointment for a term of one year with the Company.

Save as disclosed herein, none of the non-executive Director or the independent non-executive Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group.

None of the Directors proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Emoluments

Details of the remuneration of the Directors for the year ended 31 March 2008 are set out in note 11 to the financial statements.

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. Details of the movements of share options granted during the year under review and outstanding as at 31 March 2008 are as follows:

	Number of share options								
	At 1 April 2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 March 2008	Date of Grant	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors:									
Chan Yuen Hing	—	100,000	—	—	**100,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	—	100,000	—	—	**100,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Tang Chee Kwong	—	100,000	—	—	**100,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	—	100,000	—	—	**100,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Yu Yip Cheong	—	100,000	—	—	**100,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	—	100,000	—	—	**100,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Chan Lai Yung	—	100,000	—	—	**100,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	—	100,000	—	—	**100,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Total Directors	—	800,000	—	—	**800,000**				
Employees	—	1,280,000	—	—	**1,280,000**	1 February 2008	1 February 2010 to 31 January 2012	1.27	1.27
	—	1,280,000	—	—	**1,280,000**	1 February 2008	1 February 2011 to 31 January 2012	1.27	1.27
Total Employees	—	2,560,000	—	—	**2,560,000**				
Total All Categories	—	3,360,000	—	—	**3,360,000**				

Directors' Interests in Contracts of Significance

Save as disclosed in the section headed connected transactions below, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which the Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests and Short Positions in Shares

As at the date of this Annual Report, the interests and short positions of the Directors of the Company and their associates in the shares and underlying shares of the Company 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 shares held (including underlying shares)	Percentage of the issued ordinary share capital of the Company
Mr. Chan Yuen Hing	*(Note 1)*	173,292,000	63.78%
Mr. Tang Chee Kwong	Beneficial owner	5,202,000	1.91%
Ms. Chan Lai Yung	*(Note 2)*	2,802,000	1.03%
Mr. Yu Yip Cheong	Beneficial owner	2,846,000	1.05%
Mr. Yeung Kwok Keung, JP	Beneficial owner	196,000	0.07%

Notes:

(1) 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.

(2) 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 Annual 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.

Connected Transactions

Save as disclosed in the note 35(a) to the financial statements, no connected transaction has been conducted during the year.

Substantial Shareholders' Interests in Shares

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

Long Positions

Ordinary shares of HK$0.01 each of the Company

Name of 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 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 Annual Report, no other parties, other than the Directors of the Company whose interests are set out in the section "Directors' Interests and Short Position in Shares" above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2008 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	23.7%
— five largest suppliers combined	51.1%
Sales	
— the largest customer	4.6%
— five largest customers combined	18.0%

Save as disclosed in note 35(a) to the financial statements, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Purchase, Sale or Redemption of The Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Shares during the year ended 31 March 2008.

Employee Retirement Benefit

Particulars of the retirement scheme of the Group are set out in note 12 to the financial statements.

Corporate Governance

A report on the principal corporate governance practice adopted by the Company is set out in pages 36 to 40 of this Annual Report.

Pre-emptive Rights

There are no pre-emptive or similar rights under the Cayman Islands law or the memorandum and articles of association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

As at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Directors' Interests in Competing Business

Mr. Tang Chiu Ming Frank is the chief executive officer of ACCA Jewelry Limited. ACCA Jewelry Limited is a renowned manufacturer and exporter with experience in the international jewelry market including the USA, Europe, Japan, South East Asia and China. Mr. Tang Chiu Ming Frank is therefore regarded as being interested in a competing business of the Group.

Mr. Tang Chiu Ming Frank, being an independent non-executive Director of the Company, is not involved in the daily operations of the Company. As such, the Directors consider that the management of the Company and ACCA Jewelry Limited are separate and distinct and the Group is capable of carrying on its business independent of, and at arms length from ACCA Jewelry Limited.

Save as disclosed as aforesaid, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Directors' Interests in Competing Business (continued)

Each of Mr. Chan Yuen Hing, Mr. Tang Chee Kwong, Ms. Chan Lai Yung and Mr. Yu Yip Cheong who are the executive Directors of the Company, has provided annual confirmation to the Company in respect of his/her compliance with the terms of the Non-competition Deed as described in the prospectus dated 30 March 2007.

Significant Events After The Balance Sheet Date

Details of significant events after balance sheet date are set out in note 39 to the financial statements.

Auditor

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retires and, being eligible, offers themselves for re-appointment. A resolution will be submitted to the Annual General Meeting to re-appoint Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company.

On behalf of the Board
Chan Yuen Hing
Chairman

Hong Kong, 16 July 2008

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency and are adopted in the best interest of the Company and its shareholders.

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 compiled with all the applicable code provisions set out in the Code throughout the year ended 31 March 2008 since its Listing. In addition to the mandatory Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in Appendix 14 to the Listing Rules whenever suitable and appropriate.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, they confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 March 2008 since its Listing.

Board of Directors

The Board sets directions and formulates overall strategies of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board in a sound and efficient manner.

The Roles of the Chairman and Chief Executive Officer

According to code provision A.2.1 of the Code, it stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman of the Company is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while the chief executive officer is responsible for running the Group's business and the implementation of the approved strategies of the Group. At present, Mr. Chan Yuen Hing serves as Chairman of the Board, while Mr. Tang Chee Kwong serves as the chief executive officer of the Group.

Board Composition

As at the date of this Annual Report, the Board comprises eight Directors, including four executive Directors, namely, Mr. Chan Yuen Hing, Mr. Tang Chee Kwong, Ms. Chan Lai Yung and Mr. Yu Yip Cheong; one non-executive Director, namely, Mr. Yeung Kwok Keung, JP and three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang. Biographical details of the Directors are set out under the section headed "Directors and Senior Management" on pages 26 to 27 of this Annual Report.

The composition of the Board is in accordance with the requirement of Rule 3.10 of the Listing Rules. There are three independent non-executive Directors and one of them has accounting professional qualification. Exceeding one-third of the members of the Board are independent non-executive Directors.

All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Ms. Chan Lai Yung is the elder sister of Mr. Chan Yuen Hing. Save as disclosed herein, during the year, none of the other Directors has or maintained any financial, business, family or other material, relevant relationship with any of the other Directors.

Board meetings

During the year, four full board meetings were held and the attendance of each Director is set out as follows:

Name	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. Chan Yuen Hing	4	4
Mr. Tang Chee Kwong	4	4
Ms. Chan Lai Yung	4	3
Mr. Yu Yip Cheong	4	2
Non-executive Director		
Mr. Yeung Kwok Keung, JP	4	4
Independent non-executive Directors		
Mr. Chan Cheong Tat	4	4
Mr. Tang Chiu Ming Frank (appointed on 1 February 2008)	1	1
Mr. Yu Ming Yang	4	3
Mr. Zhao De Hua (resigned on 11 January 2008)	3	3

Delegation by the Board

The Board has set up three Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee on 24 October 2006, for overseeing particular aspects of the Company's affairs.

Audit Committee

The Audit Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Audit Committee conforms to the code provision requirements of the Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Tang Chiu Ming Frank and Mr. Yu Ming Yang. Mr. Chan Cheong Tat is the chairman of the Audit Committee and possesses financial management expertise.

The Audit Committee was set up for the purpose of reviewing the effectiveness of the Group's financial reporting processes and internal control system, reviewing the scope and nature of the audit carried out by the Company's auditor. The Audit Committee meets at least once a year, with the attendance of the external auditor to discuss any issues from the audit and any other matters the external auditor may wish to raise.

During the year, two meetings were held and the attendance of each member is set out as follows:

Name	Number of meetings held while being an audit committee member	Number of meetings attended
Mr. Chan Cheong Tat	2	2
Mr. Tang Chiu Ming Frank (appointed on 1 February 2008)	0	0
Mr. Yu Ming Yang	2	2
Mr. Zhao De Hua (resigned on 11 January 2008)	2	2

The following is a summary of work performed by the Audit Committee during the year:

1. Reviewed with the management of the Company the accounting principles and practices adopted by the Group, discussed the unaudited interim financial statements for the six months ended 30 September 2007 and recommended them to the Board for review and approval; and

2. Reviewed with the management and external auditors of the Company the accounting principles and practices, system of internal control adopted by the Group, discussed the audited financial statements for the year 31 March 2008, and recommended them to the Board for review and approval.

Remuneration Committee

The Remuneration Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The written terms of reference of the Remuneration Committee conforms to the code provision requirements of the Code. The Remuneration Committee comprises Mr. Tang Chee Kwong, as chairman, Mr. Chan Cheong Tat and Mr. Yu Ming Yang.

The Remuneration Committee was set up for the purpose of reviewing and making recommendations to the Board on the remuneration structure for all Directors and senior management of the Group. The annual emoluments payable to Directors was recommended by the Remuneration Committee, with a view to recruiting and retaining high-calibre personnel that are valuable to the Group, by making reference to the experience, responsibilities and duties as well as the prevailing market conditions. Details of Directors' remuneration for the year ended 31 March 2008 is set out in note 11 to the financial statements.

During the year, two meetings were held and the attendance of each member is set out as follows:

Name	Number of meetings held while being a remuneration committee member	Number of meetings attended
Mr. Tang Chee Kwong	2	2
Mr. Chan Cheong Tat	2	2
Mr. Yu Ming Yang	2	2

The following is a summary of work performed by the Remuneration Committee during the year:

1. Determined the remuneration of the Directors; and

2. Recommended the granting of share options to eligible participants.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises Mr. Tang Chee Kwong, as chairman, Mr. Chan Cheong Tat and Mr. Yu Ming Yang.

The Nomination Committee was set up for the purpose of making recommendations to the Board on appointment of Directors and reviewing the structure, size and composition of the Board on a regular basis.

During the year, one meeting was held and the attendance of each member is set out as follows:

Name	Number of meeting held while being a nomination committee member	Number of meeting attended
Mr. Tang Chee Kwong	1	1
Mr. Chan Cheong Tat	1	1
Mr. Yu Ming Yang	1	1

The following is a summary of work performed by the Nomination Committee during the year:

1. Reviewed the structure, size and composition of the Board; and

2. Recommended to the Board the appointment of Mr. Tang Chiu Ming Frank as Director based on his experience and the composition of the existing Board.

Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defining management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensuring proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and compliance with relevant legislations and regulations.

Directors' and Auditor's Acknowledgement

Directors acknowledge their responsibilities for the preparation of financial statements for the year under review, which give a true and fair view of the state of affairs of the Group as at the end of the year under review and of the results and cash flow for that year. The statement issued by the auditor of the Company regarding its reporting responsibilities was set out in detail in the Independent Auditor's Report on page 41.

Management Function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team meets together regularly to review and discuss with executive Directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

Auditors' Remuneration

Analysis of remuneration in respect of audit and non-audit services provided by the external auditor, Shu Lun Pan Horwath Hong Kong CPA Limited for the year ended 31 March 2008 is as follows:

Nature of services	**HK$'000**
Audit services	1,157
Non-audit services	486
	1,643

Note: The non-audit services mainly consist of tax compliance services.

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone :(852) 2526 2191
Facsimile :(852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

TO THE SHAREHOLDERS OF NOBLE JEWELRY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Noble Jewelry Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 103, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
16 July 2008
Chan Kam Wing, Clement
Practising Certificate number P02038

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	5	**761,976**	655,349
Cost of sales		**(564,973)**	(486,010)
Gross profit		**197,003**	169,339
Other revenue	5	**4,045**	4,298
Distribution costs		**(35,661)**	(28,290)
Administrative expenses		**(83,093)**	(67,977)
Other gains and losses	6	**434**	(365)
Operating profit	7	**82,728**	77,005
Finance costs	8	**(12,908)**	(14,196)
Share of profits of associates		**1,022**	1,173
Profit before taxation		**70,842**	63,982
Taxation	9	**(10,215)**	(7,688)
Profit for the year attributable to the equity holders of the Company		**60,627**	56,294
Dividends	14	**27,170**	54,302
Earnings per share			
— Basic (HK$)	15	**0.23**	0.27

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	16	**34,524**	62,496
Associates	18	**16,435**	13,186
Goodwill	19	**—**	1,491
Other intangible assets	20	**2,697**	3,242
Deposit paid for acquisition of a property	21	**7,480**	—
Deferred tax assets	30	**1,824**	316
		62,960	80,731
Current assets			
Inventories	22	**306,325**	246,755
Accounts receivable	23	**136,437**	85,946
Other receivables, deposits and prepayments		**16,503**	18,853
Amounts due from related companies	35(c)	**11,903**	23,169
Cash at banks and in hand	24	**34,157**	10,723
		505,325	385,446
Non-current assets classified as held for sale	25	**46,769**	—
		552,094	385,446
Current liabilities			
Bank borrowings	26	**155,077**	169,727
Accounts payable	27	**139,291**	102,284
Other payables and accrued charges		**33,490**	30,027
Obligations under finance leases	28	**119**	—
Derivative financial instruments	29	**5,697**	—
Tax payables		**3,936**	4,841
		337,610	306,879
Net current assets		**214,484**	78,567
Total assets less current liabilities		**277,444**	159,298

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Bank borrowings	26	**8,186**	7,451
Obligations under finance leases	28	**159**	—
		8,345	7,451
Net assets		**269,099**	151,847
Equity			
Share capital	31	**2,717**	200
Reserves	33	**266,382**	151,647
Total equity		**269,099**	151,847

These financial statements on pages 43 to 103 were approved and authorised for issue by the Board of Directors on 16 July 2008 and are signed on its behalf by:

Chan Yuen Hing	**Tang Chee Kwong**
Director	*Director*

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets and liabilities			
Non-current assets			
Interests in subsidiaries	*17*	**194,666**	148,516
Current assets			
Dividend receivable from subsidiaries		**43,472**	—
Cash at banks and in hand		**9,690**	10
		53,162	10
Total assets		**247,828**	148,526
Equity			
Share capital	*31*	**2,717**	200
Reserves	*33*	**245,111**	148,326
Total equity		**247,828**	148,526

The financial statements on pages 43 to 103 were approved and authorised for issue by the Board of Directors on 16 July 2008 and are signed on its behalf by:

Chan Yuen Hing
Director

Tang Chee Kwong
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	1,783	—	—	—	30,874	70	—	98,132	130,859
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	1,239	—	—	1,239
Profit for the year	—	—	—	—	—	—	—	56,294	56,294
Total recognised income and expenses for the year	—	—	—	—	—	1,239	—	56,294	57,533
Issue of shares	10	—	—	—	—	—	—	—	10
Arising from the Reorganisation	(1,593)	—	1,593	—	—	—	—	—	—
Shareholder contribution	—	—	—	1,445	—	—	—	—	1,445
Dividend paid	—	—	—	—	—	—	—	(38,000)	(38,000)
At 31 March 2007	200	—	1,593	1,445	30,874	1,309	—	116,426	151,847
Exchange difference arising on translation of foreign operations	—	—	—	—	—	5,009	—	—	5,009
Cash flow hedge: effective portion of changes in fair value *(note 29)*	—	—	—	—	—	—	(4,327)	—	(4,327)
Increase in deferred tax assets in respect of leasehold land and buildings reclassified as held for sale *(note 30)*	—	—	—	—	760	—	—	—	760
Net income for the year recognised directly in equity	—	—	—	—	760	5,009	(4,327)	—	1,442
Profit for the year	—	—	—	—	—	—	—	60,627	60,627
Total recognised income and expenses for the year	—	—	—	—	760	5,009	(4,327)	60,627	62,069
Capitalisation issue	1,880	(1,880)	—	—	—	—	—	—	—
Placing and public offer	520	77,480	—	—	—	—	—	—	78,000
Issue of shares upon the exercise of the over-allotment option	117	17,433	—	—	—	—	—	—	17,550
Share issue expenses	—	(13,197)	—	—	—	—	—	—	(13,197)
Dividends paid	—	—	—	—	—	—	—	(27,170)	(27,170)
At 31 March 2008	2,717	79,836	1,593	1,445	31,634	6,318	(4,327)	149,883	269,099

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before taxation	**70,842**	63,982
Adjustments for:		
Share of profits of associates	**(1,022)**	(1,173)
Depreciation of property, plant and equipment	**5,297**	6,623
Impairment of goodwill	**1,491**	209
Impairment of other intangible assets	**545**	—
Provision for/(release of provision for) bad and doubtful debts	**2,119**	(1,307)
Gain on disposal of property, plant and equipment	**(700)**	—
Net fair value losses of forward currency contracts not qualifying as hedges	**575**	1,445
Hedge ineffectiveness on cash flow hedges	**71**	—
Interest income	**(1,557)**	(81)
Interest expenses	**10,356**	12,055
Operating cash flows before movements in working capital	**88,017**	81,753
Increase in inventories	**(57,022)**	(20,296)
Increase in accounts receivable	**(52,610)**	(9,394)
Decrease/(increase) in other receivables, deposits and prepayments	**2,350**	(7,016)
Decrease/(increase) in amounts due from related companies	**11,266**	(13,234)
Decrease in amount due from a director	**—**	1,158
Increase in amounts due to associates	**527**	1,078
Increase in accounts payable	**37,007**	4,427
Increase in other payables and accrued charges	**3,463**	1,660
Effect of change in foreign exchange rate	**1,991**	246
Cash generated from operations	**34,989**	40,382
Income tax paid	**(10,950)**	(9,056)
Interest element of finance lease payments	**(4)**	—
Interest paid	**(10,352)**	(12,055)
Net cash generated from operating activities	**13,683**	19,271

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Investing activities		
Acquisition of a business	—	(12,944)
Proceed from disposal of property, plant and equipment	**700**	—
Payments to acquire property, plant and equipment	**(22,240)**	(4,772)
Investment in an associate	**(3,250)**	(4,971)
Deposit paid for acquisition of a property	**(7,480)**	—
Interest received	**1,327**	47
Net cash used in investing activities	**(30,943)**	(22,640)
Financing activities		
Net increase in trust receipts and other loans	**8,428**	12,569
Repayment of finance lease obligations	**(80)**	—
New bank loans raised	**26,000**	91,885
Repayment of bank loans	**(48,466)**	(56,151)
Issue of shares	**82,353**	10
Dividends paid	**(27,170)**	(38,000)
Net cash generated from financing activities	**41,065**	10,313
Net increase in cash and cash equivalents	**23,805**	6,944
Effect of change in foreign exchange rate	**(530)**	67
Cash and cash equivalents at beginning of year	**9,551**	2,540
Cash and cash equivalents at end of year	**32,826**	9,551
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**34,157**	10,723
Less:		
Pledged bank deposits	**(1,098)**	(1,062)
Bank overdrafts	**(233)**	(110)
	32,826	9,551

The accompanying notes form part of these financial statements.

1. Organisation and Operations

Noble Jewelry Holdings Limited (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") on 17 April 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. The principal activities of its subsidiaries are set out in note 17.

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

Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 26 February 2007. Details of the Group Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix VI to the Prospectus dated 30 March 2007 issued by the Company.

The Group resulting from the above-mentioned Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31 March 2007 have been prepared using the principles of merger accounting in accordance with the accounting policies as stated in note 3(e).

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "*Financial Instruments: Disclosures*" and HKAS 1 (Amendment): *Capital Disclosures* has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

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

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC)-Int 12	Service concession arrangements	1 January 2008
HK(IFRIC)-Int 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 adoption of HKFRS 3 (Revised) may affect the accounting of business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company have considered these standards or interpretations and anticipate that these standards or interpretations have no material impact on the results of operations and financial position of the Group.

3. Principal Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with HKFRSs promulgated by the HKICPA. The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except for the revaluation of leasehold land and buildings and certain financial instruments which are measured at fair value as appropriate.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

3. Principal Accounting Policies (continued)

(c) Basis of consolidation (continued)

The results of subsidiaries acquired and disposed of during the year, other than those of the Group Reorganisation, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income, expenses and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Business combinations

The acquisition of subsidiaries and businesses, other than those of the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. Principal Accounting Policies (continued)

(e) Business combinations under common control (continued)

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

(f) Subsidiaries

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(g) Associates

An associate is an enterprise over which the Group holds for long term and is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group enterprise transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

3. Principal Accounting Policies (continued)

(h) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of the cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Property, plant and equipment

Buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. Principal Accounting Policies (continued)

(i) Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings	2%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and machinery	20%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net sales proceeds and the carrying amount of the item and is included in the consolidated income statement in the year in which the item is decognised.

(j) Other intangible assets

Other intangible assets with indefinite lives are stated at cost less impairment.

(k) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Principal Accounting Policies (continued)

(l) Non-current assets held for sale

Non-current assets and disposed groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather then through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the first-in-first-out method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Principal Accounting Policies (continued)

(n) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

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

For certain categories of financial asset, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. In determining whether there is any impairment for a portfolio of receivables, the Group considers past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and other observable changes in national or local economic conditions that correlate with default on receivables. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. Principal Accounting Policies (continued)

(n) Financial instruments (continued)

(i) Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effect interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including accounts and other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. Principal Accounting Policies (continued)

(o) Derivative financial instruments

The Group enters into forward currency contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments, hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments, or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains and losses” in the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discounted when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain and loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. Principal Accounting Policies (continued)

(q) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. Principal Accounting Policies (continued)

(s) Taxation (continued)

(ii) Deferred tax

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Principal Accounting Policies (continued)

(t) Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the exchange reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(u) Employees' benefits

i) Short term benefits

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

ii) Pension obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(v) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

3. Principal Accounting Policies (continued)

(v) Share-based payments (continued)

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(w) Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

(x) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and returns.

i) Revenue from the sale of products is recognised when the Group entity has delivered goods to the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

iii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Sales return provision

Sales return provision is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to the customers. This provision is recognised by the Group based on the best estimates by management with reference to the past experience and other relevant factors. Any difference between this estimate and the actual return will impact profit or loss in the period in which the actual return is determined.

4. Critical Accounting Estimates and Judgements (continued)

(e) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, the Group uses independent valuations which are based on various assumptions and estimates.

(g) Fair value of derivatives financial instruments

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

5. Turnover, Other Revenue and Segment Information

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

	2008 HK$'000	2007 HK$'000
Turnover		
Sales	**761,976**	655,349
Other revenue		
Income from sale of raw materials	**1,806**	—
Bank interest income	**1,363**	81
Sundry income	**542**	735
Management fee income	**334**	578
Exchange gains, net	**—**	2,904
	4,045	4,298
Total revenue	**766,021**	659,647

5. Turnover, Other Revenue and Segment Information (continued)

(b) Business segments

No segment analysis by business segments 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 segments is as follows:

	2008 HK$'000	2007 HK$'000
1) Turnover		
— Hong Kong	**41,200**	66,404
— The People's Republic of China ("PRC")	**51,782**	6,529
— Japan	**41,555**	41,048
— The United States of America ("U.S.")	**161,827**	155,990
— Europe	**229,426**	171,401
— The Middle East	**190,060**	187,126
— Others	**46,126**	26,851
	761,976	655,349
2) Additions to property, plant and equipment		
— Hong Kong	**1,281**	1,376
— PRC	**21,077**	2,903
— U.S.	**234**	493
— Others	**6**	—
	22,598	4,772
3) Total assets		
— Hong Kong	**133,089**	138,060
— PRC	**276,530**	138,298
— Japan	**10,163**	12,458
— U.S.	**91,760**	69,753
— Europe	**65,766**	67,238
— The Middle East	**26,631**	33,550
— Others	**11,115**	6,820
	615,054	466,177

6. Other Gains and Losses

	2008 HK$'000	2007 HK$'000
Net fair value losses of forward currency contracts not qualifying as hedges	**(575)**	(1,445)
Hedge ineffectiveness on cash flow hedges	**(71)**	—
Gain on settlement of forward currency contracts upon maturity	**199**	797
Gain on disposal of property, plant and equipment	**700**	—
Others	**181**	283
Net gains/(losses)	**434**	(365)

7. Operating Profit

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

	2008 HK$'000	2007 HK$'000
Cost of goods sold	**564,973**	486,010
Depreciation of property, plant and equipment	**5,297**	6,623
Staff costs (including directors' remuneration) *(note 10)*	**88,027**	74,727
Auditor's remuneration	**1,162**	732
Provision for/(reversal of provision for) bad and doubtful debts	**2,119**	(1,307)
Impairment of goodwill	**1,491**	209
Impairment of other intangible assets	**545**	—
Exchange losses/(gains), net	**2,128**	(2,904)

8. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on bank borrowings wholly repayable within five years	**10,352**	12,055
Finance lease charges	**4**	—
Bank charges	**2,552**	2,141
	12,908	14,196

9. Taxation

(a) Taxation in the consolidated income statements represents:

	2008 HK$'000	2007 HK$'000
Current tax — Hong Kong		
— for the current year	**6,772**	6,439
— under provision in prior years	**678**	—
Current tax — Overseas		
— for the current year	**2,418**	2,239
— under/(over) provision in prior years	**177**	(209)
	10,045	8,469
Deferred taxation *(note 30)*		
— attributable to the origination and reversal of temporary differences	**116**	(781)
— resulting from a change in tax rate in Hong Kong	**54**	—
	10,215	7,688

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

With effect from the year of assessment 2008/09, Hong Kong profits tax rate has been reduced from 17.5% to 16.5%.

(ii) PRC enterprise income tax

Guangzhou Noble Jewelry Limited is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate at 24%. It is entitled to two-year tax exemption for the years 2005 and 2006 and three-year 50% tax relief for the years 2007 till 2009.

Guangzhou Sinoble Jewelry Limited is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate at 24%. It is entitled to two-year tax exemption since its first making profit year and the following three-year 50% tax relief for the years.

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. According to the new tax law, the standard enterprise tax rate for enterprises in the PRC will be reduced from 33% to 25%.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilized its five-year tax holiday will be allowed to continue to received benefits of the full exemption from a reduction in income tax until expiry of the tax holiday, after which the 25% standard rate will apply.

9. Taxation (continued)

(a) (continued)

(iii) Overseas income tax

Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the enacted tax rate of the Company as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**70,842**	63,982
Calculated at a tax rate of 17.5%	**12,397**	11,197
Tax effect on offshore income and expenditures not subject to Hong Kong profits tax	**(6,236)**	(5,503)
Tax effect of expenses not deductible for taxation purposes	**218**	447
Tax effect of non-taxable items	**(488)**	(450)
Tax exemption	**(638)**	(325)
Tax effect of share of profits of associates	**(179)**	(205)
Tax effect on unused tax losses not recognised	**2,843**	1,052
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,344**	1,684
Decrease in deferred tax assets resulting from a reduction in tax rate	**54**	—
Under/(over) provision in prior years	**1,051**	(209)
Others	**(151)**	—
Taxation charge	**10,215**	7,688

10. Staff Costs (Including Directors' Remuneration)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**86,293**	72,892
Pension contributions *(note 12)*	**796**	700
Social security costs *(note 12)*	**938**	1,135
	88,027	74,727

11. Emoluments of Directors and Highest Paid Individuals

(a) Directors' emoluments

Year ended 31 March 2008

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Chan Yuen Hing	—	6,919	12	6,931
Tang Chee Kwong	—	2,800	12	2,812
Chan Lai Yung	—	650	12	662
Yu Yip Cheong	—	1,500	12	1,512
Sub-total	—	11,869	48	11,917
Non-executive director				
Yeung Kwok Keung	191	—	—	191
Independent non-executive directors				
Chan Cheong Tat	143	—	—	143
Yu Ming Yang	95	—	—	95
Zhao De Hua (i)	100	—	—	100
Tang Chiu Ming Frank (ii)	17	—	—	17
Sub-total	355	—	—	355
Total	546	11,869	48	12,463

(i) Resigned on 11 January 2008.

(ii) Appointed on 1 February 2008.

11. Emoluments of Directors and Highest Paid Individuals (continued)

(a) Directors' emoluments (continued)

Year ended 31 March 2007

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Chan Yuen Hing	—	4,528	12	4,540
Tang Chee Kwong	—	2,500	12	2,512
Chan Lai Yung	—	564	12	576
Yu Yip Cheong	—	930	10	940
Sub-total	—	8,522	46	8,568
Non-executive director				
Yeung Kwok Keung	—	—	—	—
Independent non-executive directors				
Chan Cheong Tat	—	—	—	—
Yu Ming Yang	—	—	—	—
Zhao De Hua	—	—	—	—
Sub-total	—	—	—	—
Total	—	8,522	46	8,568

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of each of the years ended 31 March 2008 and 2007.

11. Emoluments of Directors and Highest Paid Individuals (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Wages and salaries	**2,748**	2,462
Pension contributions	**24**	26
	2,772	2,488

The emoluments are within the following bands:

	2008 No. of employees	2007 No. of employees
Nil–HK$1,000,000	**—**	1
HK$1,000,001–HK$1,500,000	**—**	1
HK$1,500,001–HK$2,000,000	**2**	—
	2	2

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2008 and 2007.

12. Employee Retirement Benefit

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefits schemes operated by the PRC Government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC Government is to make the required contributions under the schemes.

The Group's subsidiaries in the U.S. principally participate in a mandatory retirement system under which the subsidiary contributes to the system a certain percentage of the salaries of its employees.

Save as disclosed above, the Group does not have any other pension schemes for its employees. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

13. Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$44,119,000 which has been dealt with in the financial statements of the Company.

14. Dividends

(a) Dividends payable to equity holders of the Company attributable to the year:

	2008 HK$'000	2007 HK$'000
Dividend paid *(note i)*	—	38,000
Interim dividend declared and paid of HK$0.04 (2007: Nil) per ordinary share	**10,868**	—
Final dividend proposed after the balance sheet date of HK$0.06 (2007: HK$0.06) per ordinary share *(note ii)*	**16,302**	16,302
	27,170	54,302

(i) 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.

14. Dividends (continued)

(a) (continued)

(ii) At the meeting held on 16 July 2008, the directors proposed a final dividend of HK$0.06 per ordinary share. The dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2009. The proposed dividend will be payable to all shareholders whose names appear in the register of members of the Company on 15 August 2008.

(b) Dividends payable to equity holders of the Company attributable to the previous year, approved and paid during the year:

	2008 HK$'000	2007 HK$'000
Final dividend in respect of the previous year, approved and paid during the year, of HK$0.06 (2007: Nil) per ordinary share	**16,302**	—

15. Earnings Per Share

The calculation of basic earnings per share for the year ended 31 March 2008 is based on the profit attributable to equity holders of the Company of HK$60,627,000 (2007: HK$56,294,000) and the weighted average of 268,659,563 (2007: 208,000,000) ordinary shares in issue during the year, calculated as follows:

	2008	2007
Issued ordinary shares at beginning of year	**20,000,000**	—
Shares issued for the Group Reorganisation	—	20,000,000
Effect of capitalisation issue	**188,000,000**	188,000,000
Effect of placing and public offering	**49,726,776**	—
Effect of shares issued upon the exercise of the over-allotment option	**10,932,787**	—
Weighted average number of ordinary shares at end of year	**268,659,563**	208,000,000

No diluted earnings per share for the year ended 31 March 2008 has been presented as the share options outstanding during the year had no dilutive effect on the basic earnings per share for the year. No dilutive earnings per share for the year ended 31 March 2007 had been calculated as no diluting events existed for that year.

16. Property, Plant and Equipment

The Group	Leasehold land and buildings HK$'000	Furniture fixtures and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 April 2006	53,998	37,265	7,480	2,333	101,076
Acquisition of a business	—	900	—	—	900
Additions	—	3,076	1,189	507	4,772
Disposals	—	—	—	(518)	(518)
Exchange adjustments	—	69	10	—	79
At 31 March 2007	53,998	41,310	8,679	2,322	106,309
Additions	17,158	2,898	186	2,356	22,598
Disposals	—	(149)	—	(1,815)	(1,964)
Exchange adjustments	1,031	418	54	82	1,585
Non-current assets classified as held for sale *(note 25)*	(49,000)	—	—	—	(49,000)
At 31 March 2008	23,187	44,477	8,919	2,945	79,528
Accumulated depreciation:					
At 1 April 2006	—	28,860	5,760	2,247	36,867
Acquisition of a business	—	821	—	—	821
Charge for the year	1,322	3,596	1,467	238	6,623
Written back on disposal	—	—	—	(518)	(518)
Exchange adjustments	—	17	3	—	20
At 31 March 2007	1,322	33,294	7,230	1,967	43,813
Charge for the year	1,321	3,062	458	456	5,297
Written back on disposal	—	(149)	—	(1,815)	(1,964)
Exchange adjustments	—	77	1	11	89
Non-current assets classified as held for sale *(note 25)*	(2,231)	—	—	—	(2,231)
At 31 March 2008	412	36,284	7,689	619	45,004
Net carrying amount:					
At 31 March 2008	22,775	8,193	1,230	2,326	34,524
At 31 March 2007	52,676	8,016	1,449	355	62,496

16. Property, Plant and Equipment (continued)

(a) An analysis of cost and valuation of the Group's property, plant and equipment:

	Leasehold land and buildings HK$'000	Furniture fixtures and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Basis of book value as at 31 March 2008:					
2006 professional valuation	**4,998**	**—**	**—**	**—**	**4,998**
Cost	**18,189**	**44,477**	**8,919**	**2,945**	**74,530**
	23,187	**44,477**	**8,919**	**2,945**	**79,528**
Basis of book value as at 31 March 2007:					
2006 professional valuation	53,998	—	—	—	53,998
Cost	—	41,310	8,679	2,322	52,311
	53,998	41,310	8,679	2,322	106,309

(b) Since the land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payment is included in the cost of leasehold land and buildings as a finance lease in property, plant and equipment.

(c) The net carrying amount of leasehold land and buildings of the Group comprises:

	2008 HK$'000	2007 HK$'000
Under medium-term lease (less than 50 years but not less than 10 years)		
— in Hong Kong	**1,612**	50,681
— outside Hong Kong	**21,163**	1,995
	22,775	52,676

16. Property, Plant and Equipment (continued)

(d) Revaluation of the leasehold land and buildings of the Group was carried out as at 31 March 2006 by Savills Valuation and Professional Services Limited, Chartered Surveyors on a market value basis.

Had these leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts would have been HK$4,749,000 (2007: HK$23,489,000).

(e) The Group has pledged its leasehold land and buildings having a carrying amount at 31 March 2008 of HK$2,835,000 (2007: HK$50,681,000) to secure banking facilities granted to the Group (note 26).

(f) Assets held under finance leases

In addition to the leasehold land and buildings classified as being held under a finance lease, the Group leases motor vehicles under finance leases expiring from 2 to 3 years. None of the leases includes contingent rentals.

During the year, additions to motor vehicles of the Group financed by new finance leases were HK$358,000 (2007: Nil). At the balance sheet date, the net carrying amount of motor vehicles held under finance leases of the Group was HK$858,000 (2007: Nil). The related depreciation charge was HK$122,000 (2007: Nil).

17. Interests in Subsidiaries

	The Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**148,516**	148,516
Amounts due from subsidiaries	**46,150**	—
	194,666	148,516

Amounts due from subsidiaries are unsecured, interest free and in substance a part of the Company's interests in the subsidiaries in the form of quasi-equity loans.

17. Interests in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				directly	indirectly	
Noble Jewelry (BVI) Limited	British Virgin Islands 2 June 2006	Hong Kong	US$20,000	100%	—	Investment holding
Noble Jewelry Limited	Hong Kong 9 June 1992	Hong Kong	HK$1,000,000	—	100%	Design, manufacture and trading of jewelry
廣州市億鑽珠寶有限公司* (Guangzhou Noble Jewelry Limited)	PRC 12 April 2004	PRC	HK$18,000,000	—	100%	Processing of jewelry
NJUK Limited	United Kingdom 23 January 2001	United Kingdom	£1	—	100%	Trading of jewelry
Topwin Trading Limited	Hong Kong 15 April 2005	Hong Kong	HK$2	—	100%	Trading of jewelry
Chad Allison Corporation	The State of Delaware, the U.S. 24 March 2006	U.S.	US$2,000	—	100%	Design and trading of jewelry
Noble Jewelry Limited	The State of New York, the U.S. 20 September 2005	U.S.	US$100,000	—	100%	Trading of jewelry
Farwin Limited	Hong Kong 22 June 2001	India	HK$10,000	—	100%	Acting as purchase agent
廣州億恒珠寶有限公司* (Guangzhou Sinoble Jewelry Limited)	PRC 17 October 2006	PRC	HK$15,000,000	—	100%	Manufacture and trading of jewelry

* All subsidiaries established in the PRC are wholly foreign-owned enterprises.

18. Associates

	The Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets of associates	**17,097**	13,321
Amounts due to associates	**(662)**	(135)
	16,435	13,186

Amounts due to associates are unsecured, interest free and have no fixed repayment terms.

Particulars of the associates as at 31 March 2008, all of which are unlisted corporate entities, are as follows:

Name of associate	Place of incorporation and operation	Attributable equity interest of the Group	Principal activities
Pesona Noble Jewelry Limited ("Pesona Noble")	Hong Kong	50%	Trading of jewelry
Noblediam S.L. ("Noblediam")	Spain	50%	Trading of jewelry
Trendy Jewelry Limited	Hong Kong	32.5%	Distribution platform for trading of jewelry

Summarised financial information in respect of the Group's major associate, Noblediam is set out below:

	2008	2007
	HK$'000	HK$'000
Total assets	**70,131**	45,728
Total liabilities	**(25,194)**	(11,398)
Net assets	**44,937**	34,330
Revenue	**48,304**	33,560
Profit for the year	**3,997**	2,306

19. Goodwill

	HK$'000
Cost:	
Arising from acquisition of a business during the year ended 31 March 2007 and balance as at 31 March 2007 and 2008	1,700
Accumulated impairment:	
Impairment loss recognised in profit or loss during the year ended 31 March 2007 and balance as at 31 March 2007	209
Impairment loss recognised in profit or loss	1,491
At 31 March 2008	1,700
Net carrying amount:	
At 31 March 2008	—
At 31 March 2007	1,491

Goodwill acquired in a business combination is allocated, at acquisition, to jewelry trading operation of Chad Allison Corporation that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

During the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill was fully impaired due to turndown in the market. Accordingly, an additional impairment loss of HK$1,491,000 (2007: HK$209,000) was recognised against goodwill and charged to profit or loss.

20. Other Intangible Assets

	The Group	
	2008 **HK$'000**	2007 HK$'000
Cost:		
At beginning and end of year	**3,242**	3,242
Accumulated impairment:		
Recognised during the year and balance at end of year	**(545)**	—
Net carrying amount	**2,697**	3,242

Other intangible assets represent the perpetual licence for the use of the brand name "Chad Allison Designs", patent rights on products' designs, distribution channels and customer lists.

The directors are of the opinion that the Group's other intangible assets have indefinite useful life as the Group has incurred and intends to continue to incur significant promotion expenses, which are charged to income statement when incurred, to maintain and increase the market value of its other intangible assets.

The other intangible assets with indefinite life are stated at cost less accumulated impairment.

During the year, the Group assessed the fair value of the other intangible assets based on cash flow forecasts and made a provision for impairment loss of HK$545,000 (2007: Nil) which was charged to profit or loss for the year.

Key assumptions used for value-in-use calculations:

Gross margin	46%
Growth rate	4%
Discount rate	34%

21. Deposit Paid for Acquisition of a Property

The balance represents a payment of a deposit for the acquisition of a property located in the PRC.

On 11 December 2007, the Group entered conditionally into a property purchase agreement with 廣州威樂珠寶產業園有限公司 (Guangzhou Weile Jewelry Park Company Limited) ("Guangzhou Weile"), a company beneficially wholly-owned by Mr. Chan Yuen Hing, a director and shareholder of the Company, whereby the Group agreed to acquire a property located in the PRC from Guangzhou Weile at a consideration of RMB9.41 million (equivalent to approximately HK$9.88 million). The acquisition was completed on 16 July 2008 and the registration of change in ownership was still in progress at the date of approval of these financial statements.

Details of the acquisition are set out in the announcement of the Company dated 11 December 2007.

22. Inventories

	The Group	
	2008	2007
	HK$'000	HK$'000
Inventories comprise:		
Raw materials	**88,612**	92,024
Work in progress	**48,478**	31,192
Finished goods	**169,235**	123,539
	306,325	246,755

The analysis of the amount of inventories recognised as an expense is as follows:

	2008	2007
	HK$'000	HK$'000
Carrying amount of inventories sold	**564,973**	485,510
Write down of inventories	**—**	500
	564,973	486,010

23. Accounts Receivable

	The Group	
	2008	2007
	HK$'000	HK$'000
Accounts receivable	**141,017**	89,507
Less: Allowance for bad and doubtful debts	**(4,580)**	(3,561)
	136,437	85,946

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

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

23. Accounts Receivable (continued)

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

	2008 HK$'000	2007 HK$'000
Within 1 month	**44,486**	15,161
Over 1 month but within 3 months	**45,791**	41,406
Over 3 months but within 6 months	**34,585**	24,884
Over 6 months but within 1 year	**10,765**	4,495
Over 1 year	**810**	—
	136,437	85,946

(iv) The movements in the allowance for bad and doubtful debts during the year, including both specific and collective loss components, are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of year	**3,561**	4,868
Impairment loss recognised/(reversed)	**2,119**	(1,307)
Uncollectible amounts written off	**(1,100)**	—
At end of year	**4,580**	3,561

At 31 March 2008, the Group's accounts receivable of HK$2,939,000 (2007: HK$1,989,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

Except for the above, a provision of HK$1,641,000 (2007: HK$1,572,000) has been made for estimated irrecoverable amounts from the sale of goods. This provision has been determined by reference to past default experience.

23. Accounts Receivable (continued)

(v) An ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**47,110**	19,352
Past due within 1 month	**15,779**	11,529
Past due over 1 month but within 3 months	**6,546**	7,660
Past due over 3 months but within 6 months	**1,929**	2,110
Past due over 6 months but within 1 year	**1,055**	133
	25,309	21,432
	72,419	40,784

Accounts receivable that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(vi) At 31 March 2008, the Group's accounts receivable of HK$3,523,000 (2007: HK$3,088,000) were discounted to a bank with recourse. The Group continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing.

24. Cash at Banks and in Hand

	The Group	
	2008	2007
	HK$'000	HK$'000
Bank balance and cash in hand	**33,059**	9,661
Pledged fixed deposits	**1,098**	1,062
	34,157	10,723

The bank fixed deposits were pledged to a bank as security for granting a banking facility to the Group (note 26).

Cash at banks and in hand are denominated in the following currencies:

	2008	2007
	'000	'000
U.S. dollars	**863**	399
British Pounds	**51**	94
Renminbi	**6,805**	2,690

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC Government.

25. Non-Current Assets Classified as Held for Sale

	The Group	
	2008	2007
	HK$'000	HK$'000
Leasehold land and buildings held for sale *(note 16)*	**46,769**	—

On 15 February 2008, the Group entered into an agreement with an independent third party (the "Purchaser"), pursuant to which the Group agreed to dispose of certain leasehold land and buildings to the Purchaser. Details are set out in note 39. Accordingly, the leasehold land and buildings are classified as held for sale at 31 March 2008. Details of the disposal were disclosed in the Company's announcement and circular dated 15 February 2008 and 3 March 2008 respectively.

These properties were previously used in the Group's administrative operations. No impairment loss was recognised on reclassification of the leasehold land and buildings as held for sale or at 31 March 2008.

25. Non-Current Assets Classified as Held for Sale (continued)

Included in the non-current assets classified as held for sale were certain leasehold land and buildings having a carrying amount of HK$16,708,000 at 31 March 2008 pledged to a bank as security for banking facilities granted to the Group (note 26). On 9 May 2008, the bank released the security.

26. Bank Borrowings

	The Group	
	2008 HK$'000	2007 HK$'000
Bank overdrafts	**233**	110
Bank loans	**25,166**	47,632
Discounted bills with recourse	**3,523**	3,088
Trust receipts and export loans	**134,341**	126,348
	163,263	177,178
The borrowings are repayable as follows:		
On demand or within one year	**155,077**	169,727
After one year but within two years	**3,811**	6,132
Afer two years but within five years	**4,375**	1,319
	163,263	177,178
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(155,077)**	(169,727)
Amount due for settlement after 12 months	**8,186**	7,451

As at 31 March 2008, the Group's banking facilities are secured by the Group's leasehold land and buildings (included in non-current assets classified as held for sale) with carrying amount of HK$19,543,000 (2007: HK$50,681,000) and bank fixed deposits of HK$1,098,000 (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.

27. Accounts Payable

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

	The Group	
	2008 HK$'000	2007 HK$'000
Within 1 month	**43,015**	42,202
Over 1 month but within 3 months	**43,259**	29,329
Over 3 months but within 6 months	**52,913**	28,228
Over 6 months	**104**	2,525
	139,291	102,284

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

28. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
The Group	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable under finance leases:				
Within one year	**132**	—	**119**	—
In the second to fifth years inclusive	**177**	—	**159**	—
	309	—	**278**	—
Less: Future finance charges	**31**	—	**N/A**	N/A
Present value of lease obligations	**278**	—	**278**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**119**	—
Amount due for settlement after 12 months			**159**	—

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

29. Derivative Financial Instruments

	The Group	
	2008	2007
	HK$'000	HK$'000
Forward currency contracts that are designated and effective as hedging instruments carried at fair value	**5,122**	—
Forward currency contracts that are not designated in hedge accounting relationships	**575**	—
	5,697	—

At 31 March 2008, the Group held certain forward currency contracts designated as hedges in respect of expected future sales to Europe.

The terms of the forward currency contracts have been negotiated to match the terms of the expected future sales. The cash flow hedges relating to expected future sales in 2009 were assessed to be highly effective and net unrealised losses of HK$4,327,000 (2007: Nil) were included in the hedging reserve as follows:

	2008	2007
	HK$'000	HK$'000
Total fair value losses included in the hedging reserve	**5,245**	—
Deferred tax on fair value losses *(note 30)*	**(918)**	—
Net unrealised losses on cash flow hedges	**4,327**	—

In addition, the Group has entered into various forward currency contracts to manage its exchange rates exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to loss of HK$575,000 (2007: HK$1,445,000) were charged to profit or loss during the year (2007: Nil).

The commitments under these forward currency contracts as at 31 March 2008 are disclosed in note 34(c).

30. Deferred Taxation

The movement for the year in the net deferred tax assets/(liabilities) is as follows:

	2008 HK$'000	2007 HK$'000
At beginning of year	**316**	(465)
(Charge)/credit to profit or loss	**(116)**	781
Credit to equity *(Note (a))*	**760**	—
Credit to equity on cash flow hedges	**918**	—
Change in tax rate charged to profit or loss	**(54)**	—
At end of year	**1,824**	316

(a) The adjustment to the deferred tax assets of HK$760,000 (2007: Nil) arising from the change in the manner of recovery of the leasehold land and buildings reclassified as held for sale is credited to the revaluation reserve.

(b) The movement in deferred tax liabilities and assets (prior to offsetting of balances with the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities	**Accelerated tax depreciation** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2006	(1,262)	(205)	(1,467)
Credit to profit or loss	102	—	102
At 31 March 2007	(1,160)	(205)	(1,365)
Credit to profit or loss	101	—	101
Credit to equity	760	—	760
Change in tax rate	17	12	29
At 31 March 2008	(282)	(193)	(475)

Deferred tax assets	**Provision** HK$'000	**Cash flow hedges** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2006	283	—	719	1,002
Credit to profit or loss	—	—	679	679
At 31 March 2007	283	—	1,398	1,681
Charge to profit or loss	—	—	(217)	(217)
Credit to equity *(note 29)*	—	918	—	918
Change in tax rate	(16)	—	(67)	(83)
At 31 March 2008	267	918	1,114	2,299

31. Share Capital

	Number of shares	Amount HK$'000
Share of the Company with nominal value of HK$0.01 each		
Authorised:		
Incorporation of the Company	30,000,000	300
Increase during the year ended 31 March 2007	9,970,000,000	99,700
As at 31 March 2007 and 2008	10,000,000,000	100,000
Issued and fully paid:		
On incorporation	1	—
Issue of shares	999,999	10
Issue of consideration shares	19,000,000	190
At 31 March 2007	20,000,000	200
Capitalisation issue *(note (a)(i))*	188,000,000	1,880
Issuance of shares for placing and public offer *(note (a)(ii))*	52,000,000	520
Issue of shares upon the exercise of the over-allotment option *(note (b))*	11,700,000	117
At 31 March 2008	271,700,000	2,717

(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 the close of business on 10 April 2007.

(ii) Issuance of shares for placing and public offer
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 of the Company's shares on the Stock Exchange. The Group raised approximately HK$65,417,000, net of related expenses from the share 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, raising approximately HK$16,936,000 net of related expenses upon the exercise of the over-allotment option as described in the prospectus of the Company dated 30 March 2007.

32. Share Option Scheme

On 26 February 2007, the Company has adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Eligible participants of the Share Option Scheme include, (i) any executive director, employee or proposed employee of the Group or any invested entity; (ii) any non-executive director (including independent non-executive directors) of the Group or invested entity; (iii) any discretionary trust whose discretionary objects may be any executive director, employee or proposed employee and any non-executive director of the Group or invested entity; and (iv) advisers and consultants who are members of the Company’s advisory boards and other persons engaged as long term advisers or consultants to the Group.

The Share Option Scheme became effective on 26 February 2007 and, unless otherwise cancelled or amended, will remain in force for a period of ten years to 25 February 2017.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant in any 12-month period must not exceed 1% of the aggregate number of shares of the Company in issue. Where any further grant of options to an eligible participant would result in the shares issued or to be issued upon exercise of all options granted and to be granted to such eligible participant in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such an eligible participant and his associates abstaining from voting.

The exercise price of the share options is determinable by the committee of the board of the directors of the Company, but must be at least the highest of: (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average of the closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange over the five trading days immediately preceding the date of grant; (c) the nominal value of a share.

32. Share Option Scheme (continued)

During the year, a total of 3,360,000 (2007: Nil) share options were granted to the eligible employees of the Group with a weighted average exercise price of approximately HK$1.27 per share. The movements in the number of share options under the Share Option Scheme during the year are as follows:

Date of grant	At beginning of year	Granted during the year	At end of year	Exercise price	Closing price at date of grant	Exercise period
1 February 2008	—	1,680,000	1,680,000	HK$1.27	HK$1.25	1 February 2010 to 31 January 2012
1 February 2008	—	1,680,000	1,680,000	HK$1.27	HK$1.25	1 February 2011 to 31 January 2012
	—	3,360,000	3,360,000			

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes model. The contractual life of the share options and expectations of early exercise are incorporated into the model.

During the year, the Group had not recognised an equity-settled share-based payment expenses in respect of the above share options as the amount is insignificant (2007: Nil).

33. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 47 of the financial statements.

The nature and purposes of reserves are set out below.

Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange therefor. This reserves is distributable.

Capital reserve

The capital reserve represents the value of forward liabilities arising from the Group's derivative financial instruments — forward currency contracts which were novated to a company wholly owned by a shareholder without any consideration in prior year.

33. Reserves (continued)

Property revaluation reserve

Property revaluation reserve represents the cumulative net change in the fair value of leasehold land and buildings held at the balance sheet date and is dealt with in accordance with the accounting policy in note 3(i).

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(t).

Hedging reserve

Hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedging transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, in accordance with the accounting policy set out in note 3(o).

The Company

	Share premium HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
Arising from the Reorganisation and balance at 31 March 2007	—	148,326	—	148,326
Profit for the year	—	—	44,119	44,119
Capitalisation issue	(1,880)	—	—	(1,880)
Placing and public offer	77,480	—	—	77,480
Issue of shares upon the exercise of the over-allotment option	17,433	—	—	17,433
Share issue expenses	(13,197)	—	—	(13,197)
Dividends	—	—	(27,170)	(27,170)
At 31 March 2008	79,836	148,326	16,949	245,111

Contributed surplus

Contributed surplus represents the excess of the consolidated net assets represented by the shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange therefor under the Reorganisation.

Reserves available for distribution

At 31 March 2008, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$245,111,000 (2007: HK$148,326,000), which represents the aggregate of retained earnings of HK$16,949,000 (2007: Nil), contributed surplus of HK$148,326,000 (2007: HK$148,326,000) and share premium of HK$79,836,000 (2007: Nil).

34. Commitments

(a) Capital commitments

Capital commitments in respect of acquisition of property, plant and equipment outstanding at the balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
Contracted for	**3,198**	—

(b) Operating lease arrangements

	2008 HK$'000	2007 HK$'000
Minimum lease payments paid under operating leases	**3,780**	3,023

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

	2008 HK$'000	2007 HK$'000
Within one year	**4,882**	3,197
In the second to fifth years inclusive	**7,279**	6,744
	12,161	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.

(c) Outstanding forward currency contracts

As at 31 March 2008, the Group had commitments in respect of outstanding forward currency contracts to sell Euros 12,000,000 for approximately U.S.$18,120,000 within period ranging from 1 month to 12 months.

35. Related Party Transactions

(a) Apart from the related party transaction as disclosed in Note 21, during the year, the Group entered into the following significant transactions with its related parties:

	2008 HK$'000	2007 HK$'000
(i) Recurring transactions		
Sale of goods to Noblediam *(note i)*	**35,967**	30,182
Management fees received from Noblediam *(note ii)*	**94**	292
Sale of goods to Pesona Noble *(note i)*	**1,862**	3,172
Management fees received from Pesona Noble *(note ii)*	**240**	240
Rental, utilities charges and building management fees paid to Guangzhou Weile in which Mr. Chan Yuen Hing has beneficial interests *(note iii)*	**354**	—
Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan Yuen Hing has beneficial interests *(note iii)*	**113**	—
(ii) Non-recurring transactions		
Sales of goods to Ijewelry.com Limited in which Mr Chan Yuen Hing has beneficial interests *(note i)*	**—**	29,437
Management fees received from Worldmart Jewelry Gems Emporium (HK) Limited in which Mr. Chan Yuen Hing has beneficial interests *(note ii)*	**—**	46
Purchase of goods from Hesperus Jewelry Company Limited in which Mr. Chan Yuen Hing's brother has beneficial interests	**—**	557

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.

(b) Key management compensation

	2008 HK$'000	2007 HK$'000
Wages and salaries	**17,296**	13,578
Pension contributions	**142**	145
	17,438	13,723

35. Related Party Transactions (continued)

(c) Balances with related companies

	2008 HK$'000	2007 HK$'000
Noblediam	**11,891**	5,940
Ijewelry.com Limited	**—**	17,207
Other	**12**	22
	11,903	23,169

The balances maintained with the related companies were unsecured, interest-free and had no fixed repayment terms.

36. Capital Risk Management

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 26, cash at banks and in hand and equity attributable to equity holders of the Company, comprising share capital and reserves and retained earnings as disclosed in notes 31 and 33 respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The net debt-to-adjusted capital ratio at the balance sheet date was as follows:

	2008 HK'000	2007 HK'000
Debts	**163,263**	177,178
Cash at banks and in hand	**(34,157)**	(10,723)
Net debt	**129,106**	166,455
Equity	**269,099**	151,847
Less: Goodwill and other intangible assets	**(2,697)**	(4,733)
Adjusted capital	**266,402**	147,114
Net debt to equity ratio	**48%**	113%

37. Financial Risk Management

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, liquidity risk and interest rate risk. These risks are evaluated and monitored by the Group in accordance with the financial management policies and practices described below.

(i) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that goods are sold to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

The Group's credit risk is primarily attributable to its accounts receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in note 23.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

At 31 March 2008, the Group has unutilised committed banking facilities of HK$94,700,000 (2007: HK$16,400,000).

37. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(ii) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	More than 6 months but within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
2008						
Bank borrowings	**163,263**	**165,109**	**150,567**	**5,925**	**4,082**	**4,535**
Obligations under finance leases	**278**	**309**	**66**	**66**	**132**	**45**
Accounts payable	**139,291**	**139,291**	**139,291**	**—**	**—**	**—**
Other payables and accrued charges	**33,490**	**33,490**	**33,490**	**—**	**—**	**—**
Derivative financial instruments (Net settled)	**5,697**	**5,697**	**5,697**	**—**	**—**	**—**
	342,019	**343,896**	**329,111**	**5,991**	**4,214**	**4,580**
2007						
Bank borrowings	177,178	180,274	166,050	5,870	6,682	1,672
Accounts payable	102,284	102,284	102,284	—	—	—
Other payables and accrued charges	30,027	30,027	30,027	—	—	—
	309,489	312,585	298,361	5,870	6,682	1,672

37. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	2008 Effective interest rate %	**2008 HK$'000**	2007 Effective interest rate %	2007 HK$'000
Variable rate borrowings				
Short-term				
Bank overdrafts	**5.25%**	**233**	7.75%	110
Bank loans	**3.10% to 4.35%**	**8,345**	5.61% to 6.12%	24,602
Discounted bills with recourse	**N/A**	**3,523**	N/A	3,088
Trust receipts and export loans	**3.4% to 6.25%**	**134,341**	5.5% to 7.1%	126,348
		146,442		154,148
Long-term				
Bank loans	**3.85% to 4.88%**	**16,821**	5.37% to 6.21%	23,030
Fixed rate borrowings				
Obligations under finance leases	**4.5%**	**278**	N/A	—

The short-term bank borrowings at floating rate expose the Group to cash flow interest risk which is insignificant to the Group.

At 31 March 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$84,000 (2007: HK$115,000). There is no impact on the consolidated equity of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(iv) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars ("USD"), British Pounds ("GBP"), Euros ("EUR"), Japanese Yen ("JPY") and China Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

During the year, the Group entered into certain forward currency contracts. The purpose is to manage the currency risks arising from the Group's highly probable foreign currency forecast sales.

37. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Foreign currency risk (continued)

At 31 March 2008, the Group held forward currency contracts with fair value of HK$5,122,000 designated as hedges in respect of expected future sales to Europe.

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

As at 31 March 2008	USD '000	GBP '000	EUR '000	RMB '000	JPY '000
Accounts receivable	**9,410**	**595**	**163**	**—**	**81,759**
Other receivables	**8**	**1**	**135**	**205**	**3,777**
Amounts due from related companies	**—**	**—**	**966**	**—**	**—**
Cash at banks and in hand	**636**	**3**	**1**	**14**	**519**
Bank borrowings	**(3,348)**	**—**	**—**	**—**	**—**
Accounts payable	**(6,611)**	**—**	**—**	**—**	**—**
Other payables and accrued charges	**(25)**	**—**	**—**	**(3)**	**(94)**
Derivative financial instruments	**(730)**	**—**	**—**	**—**	**—**
Net exposure	**(660)**	**599**	**1,265**	**216**	**85,961**
As at 31 March 2007					
Accounts receivable	6,590	621	170	—	29,761
Other receivables	19	8	—	—	561
Amounts due from related companies	762	—	—	—	—
Cash at banks and in hand	170	48	3	—	733
Bank borrowings	(6,434)	—	—	—	—
Accounts payable	(3,495)	—	—	—	—
Other payables and accrued charges	(209)	(1)	—	—	(60)
Net exposure	(2,597)	676	173	—	30,995

37. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Foreign currency risk (continued)

The following table indicates the approximate change in the Group's profit after taxation and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group	2008 Increase/ (decrease) in foreign exchange rates	2008 Effect on profit for the year and retained profits HK$'000	2008 Effect on other components of equity HK$'000	2007 Increase/ (decrease) in foreign exchange rates	2007 Effect on profit for the year and retained profits HK$'000	2007 Effect on other components of equity HK$'000
USD	**5%**	**3,244**	**—**	5%	1,839	—
	(5%)	**(3,244)**	**—**	(5%)	(1,839)	—
GBP	**10%**	**2,973**	**—**	10%	2,061	—
	(10%)	**(2,973)**	**—**	(10%)	(2,061)	—
EUR	**10%**	**(5,641)**	**(7,344)**	10%	181	—
	(10%)	**5,641**	**7,344**	(10%)	(181)	—
RMB	**10%**	**1,876**	**—**	10%	489	—
	(10%)	**(1,876)**	**—**	(10%)	(489)	—
JPY	**10%**	**722**	**—**	10%	241	—
	(10%)	**(722)**	**—**	(10%)	(241)	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit/(loss) for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

37. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(v) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

38. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**195,470**	137,069
Financial liabilities		
Financial liabilities measured at amortised cost	**321,168**	302,775
Derivative financial liabilities at fair value	**5,697**	—

39. Subsequent Events

(a) As disclosed in note 25, on 15 February 2008, the Group disposed of certain leasehold land and buildings to the Purchaser at a consideration of HK$60.7 million.

Following the completion of disposal of the leasehold land and buildings on 30 June 2008, the Group entered into a tenancy agreement with the Purchaser to lease back the Property for a period of 2.5 years. The monthly rental payable by the Group is approximately HK$206,000 for the first 12 months and approximately HK$229,000 for the remaining tenancy term.

(b) On 18 April 2008, the Company's wholly-owned subsidiary, Guangzhou Sinoble Jewelry Limited, as the purchaser, entered conditionally into three separate agreements, whereby Guangzhou Sinoble Jewelry Limited agreed to purchase from two independent third parties and Mr. Zhao De Hua, an ex-independent non-executive director of the Company, the equity interests in 上海城隍廟第一購物中心有限公司 (Shanghai City Temple The First Shopping Center Company Limited) in aggregate of 20% at a total consideration of approximately RMB44.3 million (equivalent to approximately HK$49.8 million), details of which were disclosed in the Company's announcement and circular dated 18 April 2008 and 9 May 2008 respectively. Up to the date of this report, the acquisition has not yet been completed.

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group are summarised below:

	Year ended 31 March				
	2008 HK$'000	2007 HK$'000	2006 HK$'000 *(Note 1)*	2005 HK$'000 *(Note 1)*	2004 HK$'000 *(Note 1)*
Results					
Turnover	**761,976**	655,349	547,612	453,924	357,522
Profit before taxation	**70,842**	63,982	54,900	37,972	31,937
Taxation	**(10,215)**	(7,688)	(6,347)	(4,589)	(3,654)
Profit for the year attributable to the equity holders of the Company	**60,627**	56,294	48,553	33,383	28,283

	As at 31 March				
	2008 HK$'000	2007 HK$'000	2006 HK$'000 *(Note 1)*	2005 HK$'000 *(Note 1)*	2004 HK$'000 *(Note 1)*
Assets and Liabilities					
Non-current assets	**62,960**	80,731	72,565	58,801	49,899
Current assets	**552,094**	385,446	306,886	262,995	226,108
Current liabilities	**(337,610)**	(306,879)	(246,513)	(191,632)	(161,179)
Net current assets	**214,484**	78,567	60,373	71,363	64,929
Total assets less current liabilities	**277,444**	159,298	132,938	130,164	114,828
Non-current liabilities	**(8,345)**	(7,451)	(2,079)	(5,741)	(10,728)
Net assets	**269,099**	151,847	130,859	124,423	104,100

Note:

(1) The Company was incorporated in the Cayman Islands on 25 August 2006 and became the holding company of the Group with effect from 26 February 2007 as a result of a reorganisation as detailed in the prospectus dated 30 March 2007 issued by the Company. Accordingly, the results of the Group for each of the three years ended 31 March 2006 have been prepared on a combined basis as if the current group structure had been in existence throughout the years concerned and have been extracted from the prospectus dated 30 March 2007 issued by the Company. In addition, the assets and liabilities of the Group as at 31 March 2004, 2005 and 2006 have been prepared on a combined basis as if the current group structure had been in existence at those dates and have been extracted from the prospectus dated 30 March 2007 issued by the Company.