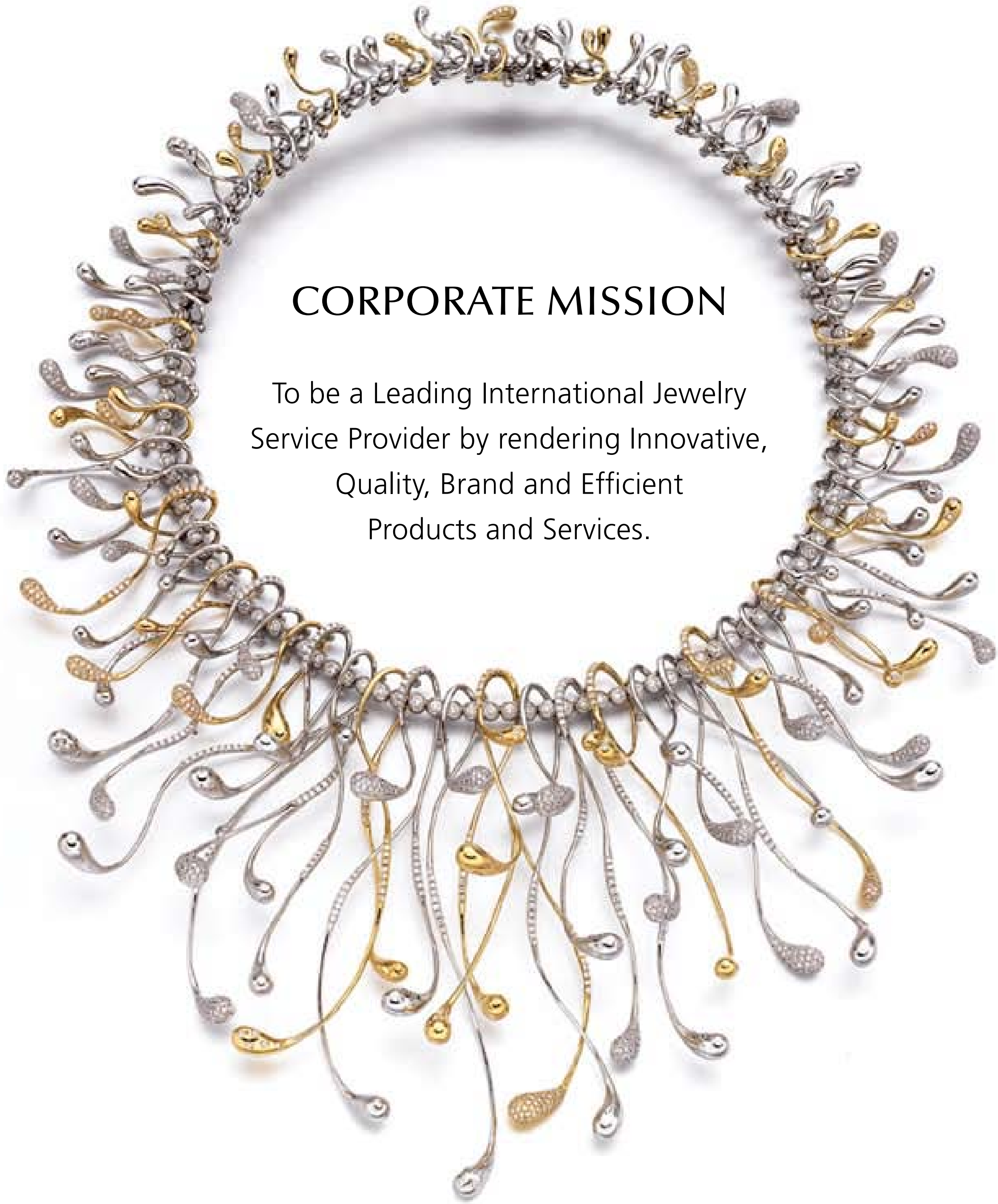
NOBLE JEWELRY HOLDINGS LIMITED
億鑽珠寶控股有限公司

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

Exploring New Realm of Opportunities

ANNUAL REPORT 2009



CORPORATE MISSION

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

Contents

Corporate Information

Board of Directors

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

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Sin Lap Poon, *ACIS, ACS*

Head Office and Principal Place of Business in Hong Kong

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

Registered Office

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

Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1–1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Compliance Adviser

Evolution Watterson Securities Limited

Legal Adviser

Stephenson Harwood & Lo

Auditors

BDO Limited

Company Website

www.noble.com.hk

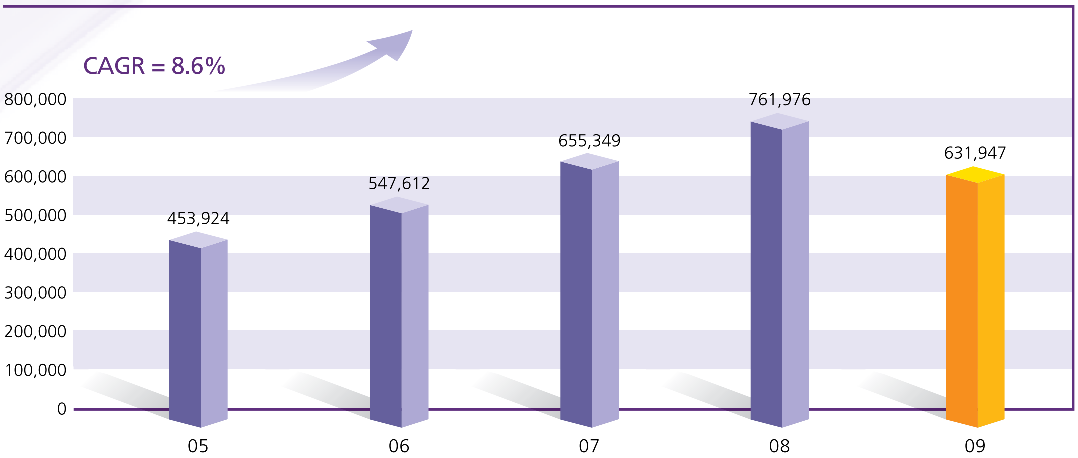
Stock Code

00475

Financial Highlights

Turnover

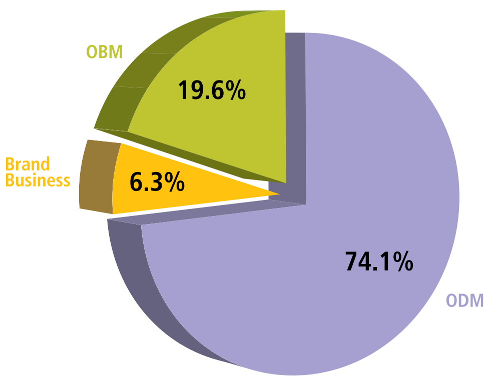
for the year ended 31 March
HK$'000



CAGR represents compound annual growth rate

Turnover breakdown by business nature

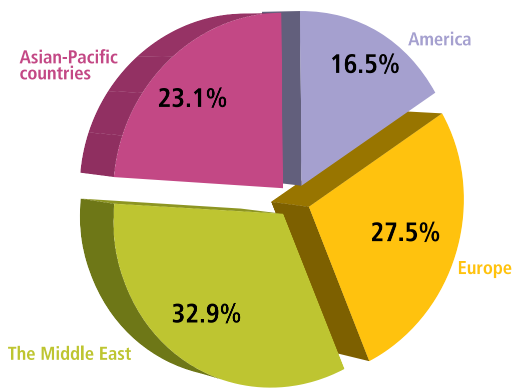
for the year ended 31 March 2009

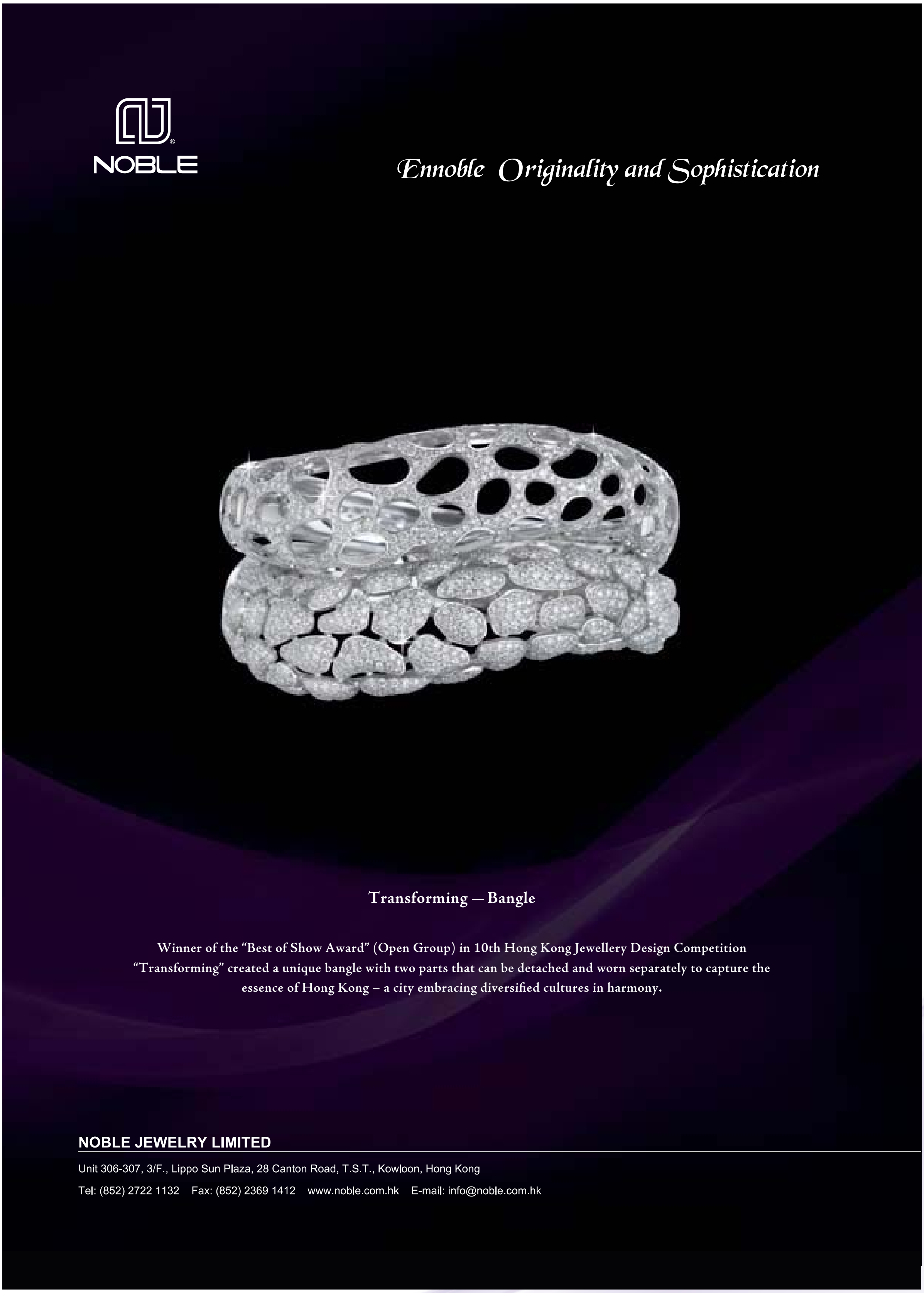


OBM represents original brand manufacturing
ODM represents original design manufacturing

Turnover breakdown by geographical location

for the year ended 31 March 2009




NOBLE
Ennoble Originality and Sophistication
Transforming – Bangle
Winner of the "Best of Show Award" (Open Group) in 10th Hong Kong Jewellery Design Competition
"Transforming" created a unique bangle with two parts that can be detached and worn separately to capture the essence of Hong Kong – a city embracing diversified cultures in harmony.
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 www.noble.com.hk E-mail: info@noble.com.hk

Chairman's Statement

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 (the "Annual Report") of the Company and its subsidiaries (collectively "Noble Jewelry" or the "Group") for the year ended 31 March 2009.

Mr. Chan Yuen Hing, Johnny
Chairman

During the review period, the Company faced enormous challenges, probably the most difficult since its listing. The global financial crisis which struck in the second half of the fiscal year quickly eroded consumer confidence and significantly affected demand for fine jewelry in most of our overseas markets. Seeing no sign of improvement in such adverse market, we started to take precautionary measures that have proven to be effective in reducing the impacts of the financial crisis on our business. In light of the worsening situation in existing markets, we focused on exploring new business initiatives prudently in a bid to open up new revenue streams and mitigate drop in sales.

With several key markets, particularly the United States (the "US") and Europe, contracting and raw material prices continuing to fluctuate, we promptly adjusted our development strategy to focus on exploring new customer segments and expansion of distribution network, along with our ongoing market diversification. We stepped up efforts to explore markets with growth potential and concentrated our resources on serving major and financially healthy customers. These efforts paid off as reflected in sales growth in the Middle East markets and new

markets in Eastern Europe, South America and China during the year. We also looked to China, which is less affected in the economic downturn, and, by injecting more resources into the market, were able to extend our distribution network in the country.

Continuing to seize opportunities in our primary markets, subsequent to the review period, we signed a joint venture agreement to set up a retail platform and jewelry road show operation in the US. The move is in line with the Group's objective of working with leading retail chain stores by leveraging their extensive sales networks, which will enable us to reach retail customers in different income segments and open a new page for our sales network collaboration business. Also, the Group formed a joint venture with a local distributor in Shandong Province, China in early 2009 to extend its sales network to the region. To develop its brand and retail business in China, the Group opened the first directly-operated store ("DOS") J'nobelle in Shanghai in 2009 featuring collections of the Group's own brands. We will continue to manage our brand image aiming to increase customer awareness which will benefit our long-term growth and profit margin.

We continued to fortify our key competence to accelerate long-term growth. We will step up development of our worldwide customer network, diverse market presence, strong product development capabilities and ability to deliver comprehensive value added services. As our sales management teams are instrument to the Group's Original Strategy Management ("OSM") business model, we will look at ways to enhance their effectiveness in attracting and building relationship with customers. By helping customers advance their businesses, we believe the OSM model will create long-term steady revenues for the Group. Other measures we will take include continuous monitoring and control of costs to safeguard our financial health and streamline of operations to ensure sustainable growth.

We are fully aware that during these difficult times customers will either delay ordering or limit their transactions with the Group until the economy stabilizes. At our dedicated efforts to bolster core competence and explore new business models, the Group is not only prepared for business revival, but is also looking to creating opportunities for itself independent of economic peaks and troughs.

Appreciation

On behalf of the board of Directors (the "Board"), I would like to express my gratitude to the management and staff for their dedication and diligence during these challenging times. I also wish to offer appreciation to the Group's shareholders, customers and business partners for their unwavering support. We will continue to explore new business opportunities in the challenging year ahead and strive for the best returns for our shareholders.

Chan Yuen Hing
Chairman
Hong Kong, 16 July 2009


NOBLE
Ennoble Originality and Sophistication
Net — Necklace
Selected as one of the finalist desgins of Buyers' Favorite Jewelry Design Competition 2008
"Net" weaved an intricate relationship composing of interpersonal, life and ethnics elements
with black and white diamonds inlaid with golden chains crafting our intertwining fates.
NOBLE JEWELRY LIMITED
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CEO's Chat Room

Mr. Tang Chee Kwong, Stephen
Chief Executive Officer

1 In fiscal year 2008/09, your major traditional markets, especially the US and Europe, were severely hit by the global financial crisis. What strategy does the Group have to grow its business in the coming year?

Noble Jewelry has been placing great efforts on market diversification to make sure we are not relying too much on certain markets like the US and Europe and also to capture new customer segments. During the year, we continued to explore new markets including specifically Yemen, Nigeria, Norway, Monaco and the Czech Republic. Sales soared in the markets relatively less affected by the financial tsunami such as the Middle East, especially Saudi Arabia, and more products were sold in the markets the Group entered previously such as the Russian Federation, Argentina and the Syrian Arab Republic. This strategy has been effective in shielding our overall performance from slowdown in individual markets during the year.

Moreover, the Group has been active in developing new business initiative entailing the setting up of joint venture that can help to extend its sales network for reaching different retail customers. The newly formed joint venture in the US will set up a retail platform and explore jewelry road show business in Sam’s Club operated by Wal-Mart.

For current customers, the Group will continue to improve its OSM services and customer knowledge management (“CKM”) system to facilitate consolidation of existing customer database and suitable allocation of resources to support provision of the best services to new clients identified. We believe a more diversified market portfolio with consolidated services would lessen the impact of the economic slowdown on our business.

2 **The global financial crisis has hit hard overall consumption especially demand for fine jewelry. How does the Group maintain its financial status and counter the impacts of the economic downturn?**

Indeed, in the 2008/09 fiscal year ended on 31 March 2009, the market turned to the worst in the second half year and our results were under severe pressure. However, since the second half of 2008/09, the Group has adopted cost control measures and strictly monitored its financial position. The measures taken included:

- Reducing inventory
- Tightening credit control and operating expenses policy
- Sub-contracting certain production processes
- Stepping up lean manufacturing

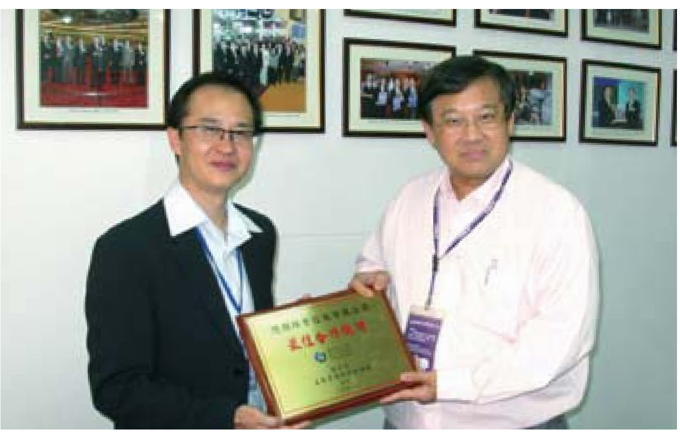
In light of potential insolvency among customers especially in the US, the Group has made adequate provision for bad or doubtful receivables and modified its sales return policy for better protection of its financial health. We have also reduced or restructured debt financing and adjusted our marketing strategies and sales projections. Furthermore, the Group focused resources on major and financially healthy customers to ensure stable cash inflow. Our timely measures have safeguarded the interests of the Group in the turmoil.

3 The Group has been developing the China market. What progress and achievement has it made so far?

"We are delighted to see our China business grow despite the economic turmoil in fiscal year 2008/09. Since the acquisition of 20% equity interest in Shanghai City Temple The First Shopping Center Limited in February 2009, we have started to share its results. Riding on its reputation of Chenghuang Jewellery in Shanghai, the Group will try to explore more opportunities for collaboration with the established brand.

We have continued to step up efforts in growing brand business and extending our sales network in China with the strengthened sales and brand management teams. Our first DOS was opened in Shanghai in the first quarter of 2009 to introduce the Group's own brand collections to domestic consumers. Moreover, we formed a joint venture with a local wholesale network operator in Shangdong Province in early 2009 to expand our sales network in Northern China.

Looking ahead, the Group will open a few retail stores offering retail and designer brands at prime locations in Eastern China. To foster our development in the China jewelry market, we will continue to explore opportunities for collaboration with regional distributors operating extensive sales networks so as to penetrate more markets and capture untapped potential."

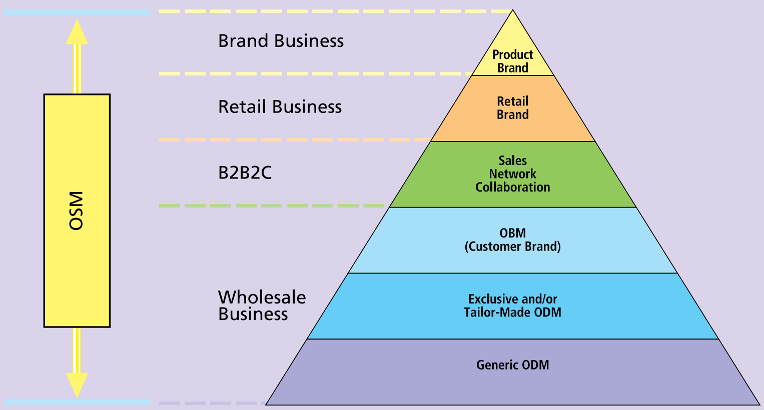


4 The market seems to have stabilized since the first quarter of 2009. How do you plan to grasp opportunities when the market rebounds?

Although the raw material prices have stabilized, the overall market still remains uncertain. For diamonds in particular, however, their prices had been steady in the first quarter of 2009 and we expect the diamond market not to fluctuate severely in the short and medium term.

The management keeps an open mind toward adopting new strategies and business models that agree with market needs. It always believes changes in the market are inevitable and a direct, simple and flexible approach is the best in tackling challenges.

Apart from operating a good wholesale business, the Group will put more efforts to explore three other business areas in the years ahead, namely Sales Network Collaboration, Retail Business and Brand Business, with the aim to expand its revenue streams and improve profit margins in the medium and long term. Our business model is illustrated in the following diagram:



Recently, we have started exploring development opportunities in retail or collaboration with retail networks and Business-to-Business-to-Customers (B2B2C) business model in a bid to open new revenue streams. The new DOS in Shanghai featuring medium to high-end jewelry of different retail and designer brands and the recently set up joint venture to focus on retail and jewelry road show business in the US are both examples of such pursuits.

Remaining steadfast in market diversification and OSM model has allowed us to streamline our operations and make sure the Group has a strong foundation to withstand pressures during testing times. Furthermore, we have strengthened our CKM system to help us maintain good relationship with selected customers especially during the economic slowdown. We will keep improving customer database management for supporting long-term development of the Group.

Drawing on our proven management philosophy, the ability to promptly respond to market changes and dedication to strategically deploy new business modes, we are confident that we will have the competitive edges required to drive our business forward effectively when the market rebounds.

Management Discussion and Analysis

Operating Results

The global financial crisis that has spread across economies since 2008 hits almost all industries and especially luxury goods industry. It dampened consumption sentiment sending jewelry business worldwide into the slump. Facing shrunk demand for fine jewelry from most of its overseas markets, the Group implemented a number of measures aiming to sustain business performance during such challenging times. To mitigate the drop in demand in the US and European markets, which are the hardest hit in this economic slowdown, the Group expanded its distribution networks and as a result minimized the adverse impact of the financial tsunami. Due to the above move and the implementation of stringent cost control, the Group was able to report a slight profit. For the year ended 31 March 2009, the Group recorded turnover of HK$631.9 million (2008: HK$762.0 million) with gross profit margin at 23.4% (2008: 25.9%). Net profit attributable to shareholders was HK$1.3 million (2008: HK$60.6 million). Basic earnings per share of the Company (the "Shares") were approximately 0.5 HK cents (2008: 22.6 HK cents). With a view to conserve cash holdings, the Board did not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: 6.0 HK cents per ordinary share).

Business Review

Sales Analysis by Geographical Markets

During the year, the Group's efforts in market diversification and marketing continued to pay off, bringing in boosted number of markets and clients which to certain extent mitigated the impact of sales drop in the US and Europe. The Middle East markets especially Saudi Arabia reported the strongest sales revenue, totaling HK$208.0 million, or 32.9% of the Group's turnover, representing a 9.4% growth against the previous year. In the American and European markets, because of poor consumption sentiment and weak European currencies in the second half of the fiscal year, sales fell to HK$104.0 million and HK$173.6 million, accounting for 16.5% and 27.5% respectively of the total turnover. Sales to The People's Republic of China, other than Hong Kong ("PRC"), which has been relatively less affected by the financial crisis, grew by 12.1% to HK$58.0 million, accounting for 9.2% of the total turnover. Continuous efforts of the Group to expand its distribution network in PRC also contributed to the increase in sales. As for turnover from Asian-Pacific markets (excluding PRC), it fell by 31.5% to HK$88.3 million reflecting mainly the significant drop in sales to the Hong Kong and Japanese markets.

Sales Analysis by Business

ODM and OBM services, both belong to the Group's wholesale business, recorded total sales of HK$592.0 million, accounting for 93.7% of the Group's total turnover. During the year, by offering comprehensive OSM support to customers helping them to formulate business expansion and development strategies, the Group continued to see generic ODM customers switching to use its customized services. The business segment thus continued to bring steady income and delivered a higher profit margin to the Group during the year despite a general market slowdown.

Sales of the Group's brand business totaled HK$39.9 million, accounting for 6.3% of the Group's total turnover. The Group currently owns various fine jewelry brands including the US brand Chad Allison, Spanish brand OriDiam, Italian designer brand LAVITA and Japanese designer brand d'Nouve. Brand business will continue to be a development focus of the Group riding on its successful OSM operation. Chad Allison completed revitalizing its operations in the US and OriDiam consolidated its foothold in the Spanish market. Although the economic downturn is expected to continue for a while in their respective markets, the management expects that the brand business of the Group will grow steadily and help improve the Group's profit margin especially when markets rebound.

Margin Analysis

Recession in the US and European markets, high raw material prices and fluctuating exchange rates of the US dollar and European currencies in the second half of the fiscal year were major challenges faced by the Group during the year. Gross profit margin of the Group was down to 23.4% because of higher purchase prices of raw materials in stock and lower selling prices of products under worldwide market pressure. However, all taken into account, the Group was still able to make overall a slight profit. To tackle the challenges, the Group focused on selling to quality customers with growth potential and those who can contribute steady and significant revenues to the Group and also bear price fluctuation. Other ongoing proven practices, such as lean manufacturing, adoption of sophisticated designs and advanced techniques for crafting clustered diamonds, and recycling of outmoded jewelry pieces, also enabled the Group to cap costs.

To enhance its brands and retail businesses for long-term development, the Group strengthened its sales and brand management teams, especially for the PRC market, which pushed up staff cost. Furthermore, investment was made by the Group in PRC to establish its first retail store in Shanghai. Delayed payment by customers because of the economic downturn commanded the Group to increase provision for bad and doubtful debts. All such factors contributed to a further decline in the Group's net profit margin. To better control its operating expenses, the Group streamlined its production to lower costs, increased sub-contracting of certain production processes and reduced inventory level. It also attempted to shorten the accounts receivable cycle and called

back delivered products from customers overdue in payment. The recalled products were resold or recycled to enhance cash flow and trim loss. These measures had effectively braced the financial health of the Group in the volatile market.

Business Development in the PRC

The Group acquired 20% equity interest in Shanghai City Temple The First Shopping Center Company Limited, which owns the well-known "Chenghuang Jewellery" brand in Mainland China. With the strategic alliance giving it the platform, the Group opened its first DOS J'nobelle in Shanghai in the first quarter of 2009 to offer medium to high-end jewelry carrying international designer brands and the Group's own brands to mainland consumers. The acquisition marked the Group's entry to the PRC jewelry retail market. The Group will constantly review its business strategy in PRC with the aim of achieving long-term growth.

Prospects

Although it is generally believed that the worst of the financial crisis is over, uncertainties in the market continue to burden economies and the business environment will remain difficult for the jewelry industry in the near future. By continuing to diversify markets and building on its OSM model as well as actively controlling cost and pursuing new business initiatives in PRC and other markets, the Group will have a strong foundation to overcome the challenges ahead and quickly revive its business when the global economy rebounds.

Wholesale Business

By consistently diversifying the markets and customer segments for its wholesale business, the Group has been able to spread risks and alleviate the impact of the economic turmoil on its operations. The new markets secured by the Group during the year such as Italy, the Czech Republic, Norway, Monaco, Yemen and Nigeria, appeared to have been relatively less affected by the financial crisis. As for markets the Group entered previously including the Russian Federation, Argentina, Venezuela, the Syrian Arab Republic, Iran, etc., benefiting from effective sales strategies, they reported growth in the fiscal year. The Group will continue to consolidate its customer base in these markets to ensure continuous business growth in the coming year. In the PRC market, the Group has made significant progress with the development of distribution networks and intends to continue its related efforts in the coming year. Also, it will strive to maintain a leading foothold in the Middle East, one of its primary markets with high purchasing power. To optimize resources application, the Group will continue to enhance its CKM system to strengthen its customer database management and to focus on serving major and financially healthy customers.

Sales Network Collaboration

The Group has been seeking opportunities to expand its customer base so as to drive business growth. It believes collaboration with leading retail chain stores, in addition to traditional independent retailers and wholesalers, will boost direct sales revenue to the Group in the long run. Thus, in May 2009, the Group formed a joint venture, in which it owns 70% equity interest, for establishing a retail platform and exploring jewelry road show business in Sam's Club operated by Wal-Mart in the US, which is expected to commence in the last quarter of 2009. Riding on the famous brand name and strong sales networks of Sam's Club, the Group will be able to directly reach retail customers in the US with competitively priced products that promise better profit margins. This will be a new business model of the Group in the US and is expected to pave the path for collaboration with other sales networks in the market in the future. For the PRC market, the Group formed a joint venture with a local jewelry distributor in Shandong Province in March 2009, aiming to enhance its wholesale business and developing its retail operation leveraging the distributor's customer base in the area. The Group will continue to explore collaboration opportunities with other sales network operators for exploration of B2B2C model.

Retail Business

The Group will focus on growing its retail operation in the potential-rich PRC market in the coming year. Leveraging the business collaboration with Chenghuang Jewellery and having launched its first DOS J'nobelle in Shanghai in the first quarter of this year, the Group will open a few retail stores in selected prime locations in Eastern China such as Shanghai and Hangzhou to explore retail business opportunities with caution heeding the economic slowdown. As the Chinese consumers are becoming more sophisticated with more discerning tastes in their quest for quality jewelry, the Group is confident of the long-term growth of its jewelry business in the PRC market.

Brand Business

The Group has been developing its brand business in recent years expecting the business to help improve its profit margin and boost the value of its business thereby ensuring long-term growth. In addition to Chad Allison and OriDiam, the Group has been working with renowned overseas designers to develop new products such as the Italian designer brand LAVITA and Japanese designer brand d'Nouve during the year to consolidate its brand business. The Group also plans to launch brand distribution business by end of 2009 via its extensive sales networks in different regions such as the US and PRC. The Group will continue to look for and explore more new distribution channels that are conducive to growth of the brand business.

Noble Jewelry has been swift in consolidating its fundamentals to defend its business amid adversities. The Group is well prepared to withstand the challenges in the coming year with the support of its proven OSM business model, top-notch design and product development team capable of creating high-margin products. Continuous efforts will be spent in diversifying markets, expanding sales networks and implementing prudent business strategies and stringent cost control. The management is confident of achieving long-term sustainable development and bringing fruitful returns to shareholders despite the slowdown in the global market.

Liquidity and Financial Resources

As at 31 March 2009, the Group's liquidity position was maintained, as a result of the stringent cost control, at a level to minimise the adverse impact of the financial downturn.

As at 31 March 2009, the Group's net current assets and current ratio stood at HK$163.0 million and 1.70 respectively (2008: HK$213.8 million and 1.63 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity less other intangible assets) was 57.3% as at 31 March 2009 (2008: 48.5%). The decrease in net current assets and the increase in net gearing ratio for the year under review were mainly attributable to the decrease in inventories, accounts receivable, and the disposal of the property classified as assets held for sale during the year.

The Group's total bank borrowings at floating interest rates including bank overdrafts and bank loans as at 31 March 2009 were decreased by 2.0% over last year to HK$160.1 million (2008: HK$163.3 million), of which the total banking borrowings repayable within one year amounted to HK$137.3 million (2008: HK$155.1 million) and the total bank borrowings in US dollar amounted to US$2.1 million (2008: US$3.3 million).

The Group's banking facilities, comprising primarily bank overdrafts and bank loans, amounted to HK$308.8 million as at 31 March 2009, out of which approximately HK$148.6 million was unutilised.

As at 31 March 2009, the Group's cash and bank balances amounted to HK$14.3 million (2008: HK$34.2 million).

Charges on Group Assets

As at 31 March 2009, the Group's banking facilities were not secured by any of the Group's assets while 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 as at 31 March 2008.

Capital Structure

For the year ended 31 March 2009, the Group financed its liquidity requirements through a combination of cash flow as generated from operation and bank borrowings.

Capital Commitment and Contingent Liabilities

As of 31 March 2009, the Group has HK$2.9 million of capital commitments (2008: HK$3.2 million).

As at 31 March 2009, the Group did not have any contingent liabilities (2008: Nil).

Staff and Remuneration Policy

As at 31 March 2009, the Group had a total of 1,080 employees (2008: 1,695). Staff costs for the year ended 31 March 2009 was HK$108.8 million, representing an increase of 9.6% as compared to 2008 of HK$99.3 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group has approved and adopted a share option scheme on 26 February 2007 for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contributions to the Group. An aggregate of 2,930,000 share options were outstanding as at 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 US dollars, British Pounds, Euros, Japanese Yen and China Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

At 31 March 2009, no forward currency contract is designed as hedges (2008: HK$5,122,000).

Corporate Highlights

May 2008

Noble Jewelry showcased masterpieces at the "Hong Kong Design Series VI: Jewelry for Life" Exhibition.

June 2008

Noble Jewelry's first annual report (Annual Report 2007) won the Silver Award at 18th International Astrid Awards.

August 2008

Noble Jewelry appointed Mr. Alex Chan and Mr. Edmond Tsang as Executive Directors.

Noble Jewelry received a delegation of MBA programme students from City University of Hong Kong at its logistics and product development base in Panyu.

September 2008

Noble Jewelry received a delegation from Japan Jewellery Business School at its logistics and product development base in Panyu.

November 2008

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


JEWELLERY NEWS ASIA

Indian jewellery retailers upbeat about future

High-end stones buoy troubled Thailand

December 2008

Noble Jewelry won the 1st Runner-up in Buyers' Favorite Design Competition 2008 — Necklace Group organized by the Hong Kong Jewelry Manufacturers' Association. The winner design was featured on the cover of Jewelry News Asia (February 2009 issue).

Noble Jewelry Chief Executive Officer was invited by Hong Kong Jewelry Manufacturers' Association as Prominent Tutor of Jewelry Executive Programme.

February 2009

Noble Jewelry's own brand — Chad Allison — was awarded the winner trophy at "Couture-NY Designer Challenge" organized by the JA New York & Couture Club & Pavilion.

Noble Jewelry acquired a total of 20% equity interests in Chenghuang Jewellery.

March 2009

Noble Jewelry's creative design, a bangle named "Transforming", won "Best of Show" Award (Open Group) at the 10th Hong Kong Jewellery Design Competition.

Noble Jewelry organized annual "Business Plan Forum 2009" to discuss business development plans.

Tradeshow Overview

2008	Tradeshow	City / Country
April 3 – 10	BASELWorld	Basel / Switzerland
April 15 – 19	24th MidEast Watch & Jewellery Spring Show, Sharjah	Sharjah / UAE
April 24 – 27	Korea International Jewelry & Watch Fair	Seoul / Korea
May 15 – 17	12th International Jewellery Kobe (IJK)	Kobe / Japan
May 17 – 21	VicenzaOro Spring	Vicenza / Italy
May 22 – 25	New Russian Style 2008	Moscow / Russia
May 26 – 29	GLDA Las Vegas Gem & Jewelry Show	Las Vegas / US
May 30 – June 3	JCK Las Vegas Show	Las Vegas / US
July 27 – 30	JA New York Summer Show	New York / US
August 10 – 12	JCK Toronto Show	Toronto / Canada
August 31 – September 3	International Jewellery London (IJL)	London / UK
September 2 – 6	Junwex Moscow	Moscow / Russia
September 6 – 10	VicenzaOro Autumn	Vicenza / Italy
September 17 – 21	HK Jewellery & Watch Fair	Hong Kong
October 8 – 12	25th MidEast Watch & Jewellery Autumn Show, Sharjah	Sharjah / UAE
October 17 – 20	Jewelers International Showcase (JIS)	Miami / US
October 26 – 28	JANY Special Delivery Show	New York / US
November 11 – 15	Jewellery Collections Dubai	Dubai / UAE
November 25 – 29	Jewellery Arabia, Bahrain	Bahrain / UAE

2009	Tradeshow	City / Country
January 11 – 18	First (VicenzaOro Winter)	Vicenza / Italy
January 18 – 20	JA New York Winter Show	New York / US
January 21 – 24	20th International Jewellery Tokyo (IJT)	Tokyo / Japan
January 31 – February 2	Jewelers International Showcase (JIS)	Miami / US
February 1 – 5	Spring Fair International	Birmingham / UK
February 4 – 8	Junwex St. Petersburg	St. Petersburg / Russia
February 20 – 23	Inhorgenta Europe	Munich / Germany
March 4 – 8	Hong Kong International Jewellery Show	Hong Kong
March 18 – 22	Istanbul Jewelry Show I	Istanbul / Turkey
March 26 – April 2	BASELWorld	Basel / Switzerland

Directors and Senior Management

Executive Directors

Mr. Chan Yuen Hing (also known as Mr. Johnny Chan), aged 48, 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 US, 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 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 55, 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 US in 1997. Mr. Stephen Tang is a director of the Hong Kong Jewellery & Jade Manufacturers Association and 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 59, 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 58, 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.

Mr. Chan Wing Nang (also known as Mr. Alex Chan), aged 45, is an executive Director. 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. Alex Chan was appointed as an executive Director on 15 August 2008.

Mr. Tsang Wing Ki (also known as Mr. Edmond Tsang), aged 47, is an executive Director. 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 auditing and financial accounting. Mr. Edmond Tsang is currently an independent non-executive director of Unity Investments Holdings Limited (stock code: 00913) whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Edmond Tsang was appointed as an executive Director on 15 August 2008.

Independent Non-executive Directors

Mr. Chan Cheong Tat (also known as Mr. Roger Chan), aged 59, 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 Main Board of Stock Exchange and the managing director of CT Tax Consultants Limited.

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 45, 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. Lai Wang, aged 42, is the general manager of the Panyu Plant of the Group. He joined the Group in 2004 and is responsible for the production and operation management of the Group. Mr. Lai obtained a master's degree in business administration from the Hong Kong Baptist University in 2008. Mr. Lai has over 10 years' experience in factory management.

Mr. Sin Lap Poon (also known as Mr. Eddie Sin), aged 36, is the company secretary of the Group. He joined the Group in 2004. 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 over 10 years' experience in human resources, administration and company secretarial duties.

Report of the Directors

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 2009.

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 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 43 to 103 of this Annual Report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: HK$0.06 per ordinary share).

Closure of Register of Members

The register of members will be closed from Wednesday, 26 August 2009 to Friday, 28 August 2009 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the forthcoming annual general meeting (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 4:30 p.m. on 25 August 2009.

Financial Summary

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements, with any restated or reclassified figures, if applicable, is set out on page 104 of this Annual Report.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 31 to the financial statements, 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 24 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 29 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. Chan Wing Nang (appointed on 15 August 2008)
Mr. Tsang Wing Ki (appointed on 15 August 2008)
Mr. Yu Yip Cheong

Non-executive Director:
Mr. Yeung Kwok Keung, JP (retired on 15 August 2008)

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

In accordance with Article 87 of the articles of association of the Company, Mr. Chan Yueng Hing, Ms. Chan Lai Yung and Mr. Yu Yip Cheong shall retire from office by rotation, being eligible, offer themselves 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 Rules governing the Listing of securities on the Stock Exchange (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, 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 17 April 2007, until terminated by either party by giving written notice of three months to the other party.

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 2009 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 provide an incentive to or as a reward for their contributions to the Group. Details of the movements of share options granted during the year under review and outstanding as at 31 March 2009 are as follows:

	Number of share options							
	At 1 April 2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 March 2009	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 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	**100,000**	1 February 2011 to 31 January 2012	1.27	1.27
Tang Chee Kwong	100,000	—	—	—	**100,000**	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	**100,000**	1 February 2011 to 31 January 2012	1.27	1.27
Chan Lai Yung	100,000	—	—	—	**100,000**	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	**100,000**	1 February 2011 to 31 January 2012	1.27	1.27
Chan Wing Nang	75,000	—	—	—	**75,000**	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	—	—	—	**75,000**	1 February 2011 to 31 January 2012	1.27	1.27
Tsang Wing Ki	75,000	—	—	—	**75,000**	1 February 2010 to 31 January 2012	1.27	1.27
	75,000	—	—	—	**75,000**	1 February 2011 to 31 January 2012	1.27	1.27
Yu Yip Cheong	100,000	—	—	—	**100,000**	1 February 2010 to 31 January 2012	1.27	1.27
	100,000	—	—	—	**100,000**	1 February 2011 to 31 January 2012	1.27	1.27
Total Directors	1,100,000	—	—	—	**1,100,000**			
Employees	1,130,000	—	—	(215,000)	**915,000**	1 February 2010 to 31 January 2012	1.27	1.27
	1,130,000	—	—	(215,000)	**915,000**	1 February 2011 to 31 January 2012	1.27	1.27
Total Employees	2,260,000	—	—	(430,000)	**1,830,000**			
Total All Categories	3,360,000	—	—	(430,000)	**2,930,000**			

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 Directors 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

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

Notes:

(1) The share options granted by the Company to Directors which are outstanding as shown under the section "Share Option Scheme" of this Annual Report have been included in the long positions of respective Directors.

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

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

Save as disclosed above, as at the date of this 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 to the financial statements, no connected transactions have 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 and their associates, the following shareholders have notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Ordinary Shares of HK$0.01 each

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

Notes:

(1) The entire issued share capital of First Prospect is owned by Mr. Chan Yuen Hing. Mr. Chan 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 whose interests are set out in the section "Directors' Interests and Short Positions in Shares" above, had registered an interest or short position in the Shares or underlying Shares 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 2009 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	26.3%
— five largest suppliers combined	58.6%
Sales	
— the largest customer	7.6%
— five largest customers combined	19.5%

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 Shares

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 2009.

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 35 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 US, 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.

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.

Auditors

The financial statements have been audited by BDO Limited. BDO Limited were appointed as auditors of the Company on 25 May 2009 to fill the casual vacancy following the resignation of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) as auditors of the Company following the merger of its business with BDO Limited on 1 May 2009.

A resolution will be proposed at the Annual General Meeting to re-appoint BDO Limited as auditors of the Company.

On behalf of the Board
Chan Yuen Hing
Chairman

Hong Kong, 16 July 2009

Corporate Governance Report

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 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 2009 except for the following derivation.

Under provision E.1.2 of the Code, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Owing to another business engagement, Mr. Chan Yuen Hing, the Chairman, was unable to attend the Company's annual general meeting held on 15 August 2008. Mr. Tang Chee Kwong, chief executive officer of the Company who was present at the annual general meeting, chair the meeting in accordance with the articles of association of the Company.

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

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 2009.

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 nine Directors, including six executive Directors, namely, Mr. Chan Yuen Hing, Mr. Tang Chee Kwong, Ms. Chan Lai Yung, Mr. Chan Wing Nang, Mr. Tsang Wing Ki and Mr. Yu Yip Cheong 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 24 to 25 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. 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 regular 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	4
Mr. Chan Wing Nang (appointed on 15 August 2008)	3	3
Mr. Tsang Wing Ki (appointed on 15 August 2008)	3	3
Mr. Yu Yip Cheong	4	4
Non-executive Director		
Mr. Yeung Kwok Keung, JP (retired on 15 August 2008)	1	1
Independent non-executive Directors		
Mr. Chan Cheong Tat	4	4
Mr. Tang Chiu Ming Frank	4	4
Mr. Yu Ming Yang	4	4

Delegation by the Board

The Board has set up three Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, 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 auditors. The Audit Committee meets at least twice a year to discuss any issues from the audit and any other matters the external auditors 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	2	2
Mr. Yu Ming Yang	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 2008 and recommended them to the Board for review and approval;

2. Reviewed with the management and external auditors of the Company the accounting principles and practices adopted by the Group, the audited financial statements for the year ended 31 March 2009, the effectiveness of the system of internal control of the Company and recommended them to the Board for review and approval; and

3. Recommended to the Board the appointment of BDO Limited to fill in the causal vacancy following the resignation of Shu Lun Pan Hong Kong CPA Limited.

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 were recommended by the Remuneration Committee, with a view to recruit and retain 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 2009 are set out in note 11 to the financial statements.

During the year, three 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	3	3
Mr. Chan Cheong Tat	3	3
Mr. Yu Ming Yang	3	3

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

1. Assessed the performance of executive Directors; and

2. Determined the remuneration of Directors.

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. Chan Wing Nang and Mr. Tsang Wing Ki as Directors based on their 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 defined management structure with limits of authority which is designed for the achievement of business objectives, safeguards assets against unauthorized use or disposition, ensures proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensures compliance with relevant legislations and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Resources, qualifications and experience of the Group's accounting staff and financial reporting function, and their training programmes and budget are considered by the Board from time to time.

Directors' and Auditors' 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 at the end of year under review and of the results and cash flow for that year. The statement issued by the auditors of the Company regarding its reporting responsibilities was set out in detail in the Independent Auditors' Report on pages 41 to 42 of this Annual Report.

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 service provided by the external auditors, Shu Lun Pan Horwath Hong Kong CPA Limited (resigned on 19 May 2009) and BDO Limited (appointed on 25 May 2009) for the year ended 31 March 2009 is as follows:

Nature of services	**Amount HK$'000**
Audit services	860
Non-audit services — Interim Review	35
Non-audit services — Others *(Note)*	44
	939

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

Independent Auditors' Report

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

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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 2009, 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.

Auditors' 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 auditors' 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 auditors consider 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 of the Group as at 31 March 2009 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.

BDO LIMITED
Certified Public Accountants

16 July 2009

Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**631,947**	761,976
Cost of sales		**(484,346)**	(564,973)
Gross profit		**147,601**	197,003
Other revenue	5	**3,657**	4,045
Distribution costs		**(35,254)**	(35,661)
Administrative expenses		**(109,378)**	(83,093)
Other gains and losses	6	**15,429**	434
Finance costs	8	**(10,315)**	(12,908)
Share of (losses)/profits of associates, net		**(6,141)**	1,022
Profit before taxation	7	**5,599**	70,842
Taxation	9	**(4,269)**	(10,215)
Profit for the year attributable to the equity holders of the Company		**1,330**	60,627
Dividends	14	**5,434**	27,170
Earnings per share (HK cents) — basic and diluted	15	**0.49**	22.57

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	*16*	**49,004**	34,524
Associates	*18*	**62,874**	17,097
Other intangible assets	*19*	**—**	2,697
Deposits		**1,257**	7,480
Deferred tax assets	*28*	**1,105**	1,824
		114,240	63,622
Current assets			
Inventories	*20*	**250,615**	306,325
Accounts receivable	*21*	**107,255**	136,437
Other receivables, deposits and prepayments		**15,756**	16,503
Amounts due from related parties	*35(c)*	**8,700**	12,613
Cash at banks and in hand	*22*	**14,344**	34,157
		396,670	506,035
Non-current assets classified as held for sale	*23*	**—**	46,769
		396,670	552,804
Current liabilities			
Bank borrowings	*24*	**137,262**	155,077
Accounts payable	*25*	**47,461**	139,291
Other payables and accrued charges		**43,681**	33,490
Amounts due to related parties	*35(c)*	**4,363**	1,372
Obligations under finance leases	*26*	**119**	119
Derivative financial instruments	*27*	**—**	5,697
Tax payables		**806**	3,936
		233,692	338,982
Net current assets		**162,978**	213,822
Total assets less current liabilities		**277,218**	277,444

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank borrowings	*24*	**22,851**	8,186
Obligations under finance leases	*26*	**40**	159
		22,891	8,345
Net assets		**254,327**	269,099
Equity			
Share capital	*29*	**2,717**	2,717
Reserves	*31*	**251,610**	266,382
Total equity		**254,327**	269,099

The financial statements on pages 43 to 103 were approved and authorised for issue by the Board of Directors on 16 July 2009 and are signed on its behalf by:

Chan Yuen Hing
Director

Tang Chee Kwong
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets and liabilities			
Non-current assets			
Interests in subsidiaries	17	**231,430**	194,666
Current assets			
Dividend receivable from subsidiaries		**—**	43,472
Cash at banks and in hand		**132**	9,690
		132	53,162
Current liabilities			
Accruals		**40**	—
Net current assets		**92**	53,162
Net assets		**231,522**	247,828
Equity			
Share capital	29	**2,717**	2,717
Reserves	31	**228,805**	245,111
Total equity		**231,522**	247,828

The financial statements on pages 43 to 103 were approved and authorised for issue by the Board of Directors on 16 July 2009 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 2009

	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 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	—	—	—	—	—	—	(4,327)	—	(4,327)
Increase in deferred tax assets in respect of leasehold land and buildings reclassified as held for sale *(note 28)*	—	—	—	—	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
Exchange difference arising on translation of foreign operations	—	—	—	—	—	1,307	—	—	1,307
Net income for the year recognised directly in equity	—	—	—	—	—	1,307	—	—	1,307
Transfer to profit or loss on derecognition of cash flow hedge	—	—	—	—	—	—	4,327	—	4,327
Transfer on disposal of assets in respect of leasehold land and buildings reclassified as held for sale	—	—	—	—	(31,634)	—	—	31,634	—
Profit for the year	—	—	—	—	—	—	—	1,330	1,330
Total recognised income and expenses for the year	—	—	—	—	(31,634)	1,307	4,327	32,964	6,964
Dividends paid	—	—	—	—	—	—	—	(21,736)	(21,736)
At 31 March 2009	2,717	79,836	1,593	1,445	—	7,625	—	161,111	254,327

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	**5,599**	70,842
Adjustments for:		
Share of losses/(profits) of associates, net	**6,141**	(1,022)
Depreciation of property, plant and equipment	**5,309**	5,297
Impairment of goodwill	**—**	1,491
Impairment of other intangible assets	**2,697**	545
Provision for bad and doubtful debts, net	**2,094**	2,119
Reversal of write-down of inventories	**(270)**	—
Gain on disposal of assets in respect of leasehold land and buildings reclassified as held for sale	**(13,406)**	—
Gain on disposal of property, plant and equipment	**(1,238)**	(700)
Gain on disposal of a subsidiary	**(5)**	—
Net fair value losses of forward currency contracts not qualifying as hedges	**—**	575
Hedge ineffectiveness on cash flow hedges	**—**	71
Interest income	**(537)**	(1,557)
Interest expenses	**7,415**	10,356
Operating cash flows before movements in working capital	**13,799**	88,017
Decrease/(increase) in inventories	**56,387**	(57,022)
Decrease/(increase) in accounts receivable	**27,088**	(52,610)
Decrease in other receivables, deposits and prepayments	**745**	2,350
Decrease in amounts due from related parties	**3,909**	10,556
(Decrease)/increase in accounts payable	**(91,830)**	37,007
(Decrease)/increase in other payables and accrued charges	**(3,855)**	3,463
(Decrease)/increase in amounts due to related parties	**(524)**	1,237
Effect of change in foreign exchange rate	**3,881**	1,991
Cash generated from operations	**9,600**	34,989
Income tax paid	**(7,399)**	(10,950)
Interest element of finance lease payments	**(13)**	(4)
Interest paid	**(7,402)**	(10,352)
Net cash (used in)/generated from operating activities	**(5,214)**	13,683

	2009 HK$'000	2008 HK$'000
Investing activities		
Proceeds from disposal of assets in respect of leasehold land and buildings reclassified as held for sale	**60,175**	—
Proceeds from disposal of property, plant and equipment	**4,062**	700
Payments to acquire property, plant and equipment	**(14,613)**	(22,240)
Payments for acquisition of an associate	**(32,642)**	—
Payments for investment in associates	**(5,728)**	(3,250)
Deposits paid for acquisition of non-current assets	**(1,257)**	(7,480)
Disposal of a subsidiary *(note 32)*	**10**	—
Interest received	**537**	1,327
Net cash generated from/(used in) investing activities	**10,544**	(30,943)
Financing activities		
(Decrease)/increase in trust receipts and other loans	**(42,864)**	8,428
Release of pledged bank deposits	**1,098**	—
Repayment of finance lease obligations	**(119)**	(80)
New bank loans raised	**128,175**	26,000
Repayment of bank loans	**(94,685)**	(48,466)
Issue of shares	**—**	82,353
Dividends paid	**(21,736)**	(27,170)
Net cash (used in)/generated from financing activities	**(30,131)**	41,065
Net (decrease)/increase in cash and cash equivalents	**(24,801)**	23,805
Effect of change in foreign exchange rate	**(138)**	(530)
Cash and cash equivalents at beginning of year	**32,826**	9,551
Cash and cash equivalents at end of year	**7,887**	32,826
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**14,344**	34,157
Less: Bank overdrafts	**(6,457)**	(233)
Pledged bank deposits	**—**	(1,098)
	7,887	32,826

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Organisation and Operation

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.

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 collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)") 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 adoption of HK(IFRIC) — Int 11 "HKFRS 2 — Group and treasury share transactions", HK(IFRIC) — Int 12 "Service concession arrangements", HK(IFRIC) — Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no material impact on the financial statements.

At the date of authorisation of the financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)

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

		Effective date
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC) — Int 9 & HK(IFRIC) — Int 16	(vii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010 as appropriate

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

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 (the "Listing Rules").

3. Principal Accounting Policies (Continued)

(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).

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

All 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.

(d) 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.

(e) 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.

3. Principal Accounting Policies (Continued)

(e) Associates (Continued)

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.

(f) 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.

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%

3. Principal Accounting Policies (Continued)

(f) Property, plant and equipment (Continued)

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 derecognised.

(g) Other intangible assets

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

(h) Impairment of tangible and intangible assets

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.

(i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than 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.

3. Principal Accounting Policies (Continued)

(i) Non-current assets held for sale (Continued)

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.

(j) 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.

(k) 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.

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.

3. Principal Accounting Policies (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as accounts 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 would 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 accounts 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 accounts and other receivables 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.

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 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.

3. Principal Accounting Policies (Continued)

(k) Financial instruments (Continued)

(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.

(l) 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.

3. Principal Accounting Policies (Continued)

(l) Derivative financial instruments (Continued)

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 discontinued 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.

(m) 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.

(n) Leases

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.

3. Principal Accounting Policies (Continued)

(n) Leases (Continued)

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.

(o) 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.

(p) 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.

(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) of 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.

3. Principal Accounting Policies (Continued)

(p) Taxation (Continued)

(ii) Deferred tax (Continued)

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.

(q) 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.

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.

3. Principal Accounting Policies (Continued)

(q) Foreign currencies (Continued)

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, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in 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.

(r) 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 formulae. 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.

(s) 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.

Equity-settled share-based payment 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.

3. Principal Accounting Policies (Continued)

(t) Borrowing costs

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

(u) 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.

(v) 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.

(w) 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 accounts and other receivables

The Group makes provision for impairment of accounts and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to accounts and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of accounts 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.

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:

	2009 **HK$'000**	2008 HK$'000
Turnover		
Sales	**631,947**	761,976
Other revenue		
Sundry income	**1,398**	542
Income from sale of raw materials	**1,365**	1,806
Bank interest income	**537**	1,363
Management fee income	**357**	334
	3,657	4,045
Total revenue	**635,604**	766,021

(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.

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

(c) Geographical segments

An analysis by geographical segments is as follows:

	2009 HK$'000	2008 HK$'000
(i) Turnover		
— Hong Kong	**20,925**	41,200
— The People's Republic of China, other than Hong Kong ("PRC")	**58,043**	51,782
— Japan	**30,889**	41,555
— America	**104,057**	161,827
— Europe	**173,598**	229,426
— The Middle East	**207,971**	190,060
— Others	**36,464**	46,126
	631,947	761,976
(ii) Additions to property, plant and equipment		
— Hong Kong	**50**	1,281
— PRC	**21,923**	21,077
— America	**120**	234
— Others	**—**	6
	22,093	22,598
(iii) Segment assets		
— Hong Kong	**301,754**	429,826
— PRC	**112,130**	65,767
— Japan	**1,919**	2,816
— America	**63,417**	76,011
— Europe	**30,511**	39,806
— The Middle East	**74**	376
	509,805	614,602

6. Other Gains and Losses

	2009 **HK$'000**	2008 HK$'000
Net fair value losses of forward currency contracts not qualifying as hedges	**—**	(575)
Hedge ineffectiveness on cash flow hedges	**—**	(71)
Gain on settlement of forward currency contracts upon maturity	**575**	199
Gain on disposal of assets in respect of leasehold land and buildings reclassified as held for sale	**13,406**	—
Gain on disposal of property, plant and equipment	**1,238**	700
Gain on disposal of a subsidiary	**5**	—
Others	**205**	181
Net gains	**15,429**	434

7. Profit Before Taxation

Profit before taxation is stated after charging the following:

	2009 **HK$'000**	2008 HK$'000
Cost of inventories *(note 20)*	**484,346**	564,973
Depreciation of property, plant and equipment	**5,309**	5,297
Staff costs (including directors' remuneration) *(note 10)*	**108,793**	99,332
Auditors' remuneration	**1,201**	1,162
Provision for bad and doubtful debts, net	**2,094**	2,119
Impairment of goodwill	**—**	1,491
Impairment of other intangible assets	**2,697**	545
Exchange losses, net	**8,782**	2,128
Bad debts written off	**4,491**	301

8. Finance Costs

	2009 **HK$'000**	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	**7,402**	10,352
Finance lease charges	**13**	4
Bank charges	**2,900**	2,552
	10,315	12,908

9. Taxation

(a) Taxation in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax — Hong Kong		
— for the current year	**3,365**	6,772
— under provision in prior years	**419**	678
Current tax — Overseas		
— for the current year	**216**	2,418
— under provision in prior years	**468**	177
	4,468	10,045
Deferred taxation *(note 28)*		
— attributable to the origination and reversal of temporary differences	**(199)**	116
— resulting from a change in tax rate in Hong Kong	**—**	54
	4,269	10,215

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

(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 2005 and 2006 and three-year 50% tax relief for 2007 till 2009.

Guangzhou Sinoble Jewelry Limited is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate at 25%. It is entitled to two-year tax exemption for 2009 and 2010 and three-year 50% tax relief for 2011 till 2013.

Shanghai Noble Concepts Jewelry Limited is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate at 25%.

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 of the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised its five-year tax holiday will be allowed to continue to receive 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) Taxation in the consolidated income statement represents: (Continued)

(iii) Overseas income tax
Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(iv) Tax effect of share of (losses)/profits of associates
The share of tax charge attributable to associates amounting to HK$40,000 (2008: HK$509,000) and is included in "Share of (losses)/profits of associates, net" on the face of the consolidated income statement.

(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:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**5,599**	70,842
Calculated at a tax rate of 16.5% (2008: 17.5%)	**924**	12,397
Tax effect on offshore income and expenditures not subject to Hong Kong profits tax	**(5,183)**	(6,236)
Tax effect of expenses not deductible for taxation purposes	**2,889**	218
Tax effect of non-taxable items	**(94)**	(488)
Tax exemption	**(718)**	(638)
Tax effect of share of losses/(profits) of associates	**1,033**	(179)
Tax effect on unused tax losses not recognised	**4,278**	2,843
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24**	1,344
Decrease in deferred tax assets resulting from a reduction in tax rate	**—**	54
Under provision in prior years	**887**	1,051
Others	**229**	(151)
Taxation charge	**4,269**	10,215

10. Staff Costs (Including Directors' Remuneration)

	2009 HK$'000	2008 HK$'000
Wages and salaries	102,669	95,363
Pension contributions *(note 12)*	735	796
Social security costs *(note 12)*	5,389	3,173
	108,793	99,332

11. Emoluments of Directors and Highest Paid Individuals

(a) Directors' emoluments

Year ended 31 March 2009

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Bonus* HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors					
Chan Yuen Hing	—	8,351	—	12	8,363
Tang Chee Kwong	—	1,910	700	12	2,622
Chan Lai Yung	—	592	58	12	662
Yu Yip Cheong	—	830	508	12	1,350
Chan Wing Nang (i)	—	735	100	7	842
Tsang Wing Ki (i)	—	478	65	7	550
Sub-total	—	12,896	1,431	62	14,389
Non-executive director					
Yeung Kwok Keung, JP (iv)	83	—	—	—	83
Independent non-executive directors					
Chan Cheong Tat	150	—	—	—	150
Yu Ming Yang	100	—	—	—	100
Tang Chiu Ming Frank (iii)	100	—	—	—	100
Sub-total	350	—	—	—	350
Total	433	12,896	1,431	62	14,822

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

(a) Directors' emoluments (Continued)

Year ended 31 March 2008

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Bonus* 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	—	1,800	1,000	12	2,812
Chan Lai Yung	—	515	135	12	662
Yu Yip Cheong	—	840	660	12	1,512
Sub-total	—	10,074	1,795	48	11,917
Non-executive director					
Yeung Kwok Keung, JP	191	—	—	—	191
Independent non-executive directors					
Chan Cheong Tat	143	—	—	—	143
Yu Ming Yang	95	—	—	—	95
Zhao De Hua (ii)	100	—	—	—	100
Tang Chiu Ming Frank (iii)	17	—	—	—	17
Sub-total	355	—	—	—	355
Total	546	10,074	1,795	48	12,463

* Executive directors of the Company are entitled to bonus payments which are determined on a discretionary basis.

(i) Appointed on 15 August 2008.

(ii) Resigned on 11 January 2008.

(iii) Appointed on 1 February 2008.

(iv) Retired on 15 August 2008.

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

(a) Directors' emoluments (Continued)

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 2009 and 2008.

During the year ended 31 March 2008, executive directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2008: three) were directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining individual (2008: two) was as follows:

	2009 **HK$'000**	2008 HK$'000
Wages and salaries	**1,629**	2,748
Pension contributions	**12**	24
	1,641	2,772

The emolument is within the following bands:

	2009 **No. of** **employee**	2008 No. of employees
Nil–HK$1,000,000	**—**	—
HK$1,000,001–HK$1,500,000	**—**	1
HK$1,500,001–HK$2,000,000	**1**	1
	1	2

During the year ended 31 March 2009, the employee was granted share options in 2008, in respect of her services to the Group, under the share option scheme of the Company, further details of which are set out in note 30.

(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 2009 and 2008.

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 US principally participate in a mandatory retirement system under which the subsidiaries contribute to the system a certain percentage of the salaries of its employees. The Group has no further obligations other than making the required contributions.

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 loss of HK$4,000 (2008: a profit of HK$44,119,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 **HK$'000**	2008 HK$'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**(4)**	44,119
Interim dividend from subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**5,434**	—
Company's profit for the year	**5,430**	44,119

14. Dividends

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

	2009 HK$'000	2008 HK$'000
Interim dividend declared and paid of HK$0.02 (2008: HK$0.04) per ordinary share	**5,434**	10,868
Final dividend proposed after the balance sheet date of HK$Nil (2008: HK$0.06) per ordinary share	**—**	16,302
	5,434	27,170

The board of directors did not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: HK$0.06 per ordinary share).

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

	2009 HK$'000	2008 HK$'000
Final dividend in respect of the previous year, approved and paid during the year, of HK$0.06 (2008: HK$0.06) per ordinary share	**16,302**	16,302

15. Earnings Per Share

The calculation of basic earnings per share for the year ended 31 March 2009 is based on the profit attributable to equity holders of the Company of HK$1,330,000 (2008: HK$60,627,000) and 271,700,000 (2008: weighted average of 268,659,563) ordinary shares in issue during the year, calculated as follows:

	2009	2008
Issued ordinary shares at beginning of year	**271,700,000**	20,000,000
Effect of capitalisation issue	**—**	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 in issue	**271,700,000**	268,659,563

Diluted earnings per share for the years ended 31 March 2009 and 2008 are the same as the basic earnings per share of the share options outstanding at the year end had an anti-dilutive effect on the basic earnings per share for these years.

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 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)
Reclassified as held for sale *(note 23)*	(49,000)	—	—	—	(49,000)
Exchange adjustments	1,031	418	54	82	1,585
At 31 March 2008	23,187	44,477	8,919	2,945	79,528
Additions	11,778	2,947	7,192	176	22,093
Disposals	(2,950)	(309)	(16)	—	(3,275)
Exchange adjustments	403	99	(7)	31	526
At 31 March 2009	32,418	47,214	16,088	3,152	98,872
Accumulated depreciation:					
At 1 April 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)
Reclassified as held for sale *(note 23)*	(2,231)	—	—	—	(2,231)
Exchange adjustments	—	77	1	11	89
At 31 March 2008	412	36,284	7,689	619	45,004
Charge for the year	1,259	3,079	233	738	5,309
Written back on disposal	(310)	(140)	(1)	—	(451)
Exchange adjustments	1	20	(19)	4	6
At 31 March 2009	1,362	39,243	7,902	1,361	49,868
Net carrying amount:					
At 31 March 2009	31,056	7,971	8,186	1,791	49,004
At 31 March 2008	22,775	8,193	1,230	2,326	34,524

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 2009:					
2006 professional valuation	**2,048**	**—**	**—**	**—**	**2,048**
Cost	**30,370**	**47,214**	**16,088**	**3,152**	**96,824**
	32,418	**47,214**	**16,088**	**3,152**	**98,872**
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

(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:

	2009 **HK$'000**	2008 HK$'000
Under medium-term lease (less than 50 years but not less than 10 years)		
— in Hong Kong	**—**	1,612
— outside Hong Kong	**31,056**	21,163
	31,056	22,775

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$1,864,000 (2008: HK$4,749,000).

(e) At 31 March 2008, the Group pledged its leasehold land and building having a carrying amount of HK$2,835,000 (note 24) to secure banking facilities granted to the Group. At 31 March 2009, no leasehold land and buildings were pledged.

(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 2–3 years. None of the leases includes contingent rentals.

Additions to motor vehicles of the Group in 2008 were financed by finance lease of HK$358,000.

At the balance sheet date, the net carrying amount of motor vehicles held under finance leases of the Group was HK$564,000 (2008: HK$858,000). The related depreciation charge was HK$294,000 (2008: HK$122,000).

17. Interests in Subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**148,516**	148,516
Amounts due from subsidiaries, net	**82,914**	46,150
	231,430	194,666

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 2009 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 directly	Attributable equity interest held by the Company indirectly	Principal activities
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$26,000,000	—	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 US 24 March 2006	US	US$2,000	—	100%	Design and trading of jewelry
Noble Jewelry Limited	The State of New York, the US 20 September 2005	US	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$37,500,000	—	100%	Manufacture and trading of jewelry
上海億炫珠寶有限公司* (Shanghai Noble Concepts Jewelry Limited)	PRC 4 December 2008	PRC	RMB3,000,000	—	100%	Design and trading of jewelry

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

18. Associates

	The Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets of associates	**30,069**	17,097
Goodwill on acquisition	**32,805**	—
	62,874	17,097

Particulars of the principal associates as at 31 March 2009, all of which are unlisted corporate entities, are as follows:

Name of associate	Place of incorporation and operations	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 ("Trendy") *(note (a))*	Hong Kong	50%	Distribution platform for trading of jewelry
Shanghai City Temple the First Shopping Center Company Limited ("上海城隍廟第一購物中心有限公司") ("Shanghai City Temple") *(note (b))*	PRC	20%	Operation of a flagship mall and retail outlets

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

18. Associates (Continued)

The financial statements of the above associates are coterminous with those of the Group, except for Shanghai City Temple and Trendy which have financial years ending on 31 December. The consolidated financial statements of the Group are adjusted for any material transactions between Shanghai City Temple and Trendy and Group companies between 1 January and 31 March. Shanghai City Temple and Trendy use 31 March as their reporting date to conform with their holding company's reporting date.

(a) The Group has discontinued the recognition of its share of losses of Trendy because the share of losses of the associate exceeded the Group's interest in an associate. The Group's unrecognised share of losses of this associate for the current year was HK$926,000 (2008: Nil).

(b) During the year, the Group acquired 20% equity interests in Shanghai City Temple from two independent third parties and Mr. Zhao De Hua, an ex-independent non-executive director of the Company (the "Acquisition"). Further details of the Acquisition are included in note 35(d). Shanghai City Temple is engaged in the operation of a flagship mall and retail outlets. The purchase consideration was determined on an arm's length basis having regard to the average current price-earning ratios of the listed comparables engaging in similar business as Shanghai City Temple and the profit track record of Shanghai City Temple. The purchase consideration for the Acquisition was in the form of cash, with HK$32,642,000 paid during the year and HK$17,576,000 paid on 29 June 2009. Goodwill arising from the Acquisition amounted to HK$32,805,000.

(c) During the year, the directors reviewed the carrying amounts of the cash-generating unit of Shanghai City Temple's business. The recoverable amount of the cash-generating unit was estimated on a value in use basis using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 12.35%.

(d) Summarised financial information in respect of the Group's associates is set out below:

	2009 **HK$'000**	2008 HK$'000
Total assets	**251,783**	82,379
Total liabilities	**(121,077)**	(27,248)
Net assets	**130,706**	55,131
Revenue	**505,523**	53,332
(Loss)/profit for the year	**(663)**	643

19. Other Intangible Assets

	The Group	
	2009	2008
	HK$'000	HK$'000
Cost:		
At 31 March 2008 and 2009	**3,242**	3,242
Accumulated impairment:		
At 31 March 2008	**(545)**	—
Recognised during the year	**(2,697)**	(545)
At 31 March 2009	**(3,242)**	(545)
Net carrying amount	**—**	2,697

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 profit and loss 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.

In 2009, 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$2,697,000 (2008: HK$545,000) which was charged to profit or loss for the year.

Key assumptions used for value-in-use calculations:

	2009	2008
Gross margin	**44%**	46%
Growth rate	**4%**	4%
Discount rate	**34%**	34%
Forecast periods	**2 years**	3 years

20. Inventories

	The Group	
	2009 **HK$'000**	2008 HK$'000
Inventories comprise:		
Raw materials	**60,731**	88,612
Work in progress	**20,101**	48,478
Finished goods	**169,783**	169,235
	250,615	306,325

The analysis of the amount of inventories recognised as an expense in note 7 is as follows:

	The Group	
	2009 **HK$'000**	2008 HK$'000
Carrying amount of inventories sold	**484,616**	564,973
Reversal of write-down of inventories	**(270)**	—
	484,346	564,973

The Group reversed HK$270,000 of a previous inventory write-down in 2006–2007. The Group has used the above inventories that were written down in manufacturing process.

21. Accounts Receivable

	The Group	
	2009 **HK$'000**	2008 HK$'000
Accounts receivable	**113,069**	141,017
Less: Allowance for bad and doubtful debts	**(5,814)**	(4,580)
	107,255	136,437

21. Accounts Receivable (Continued)

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

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

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

	The Group	
	2009 HK$'000	2008 HK$'000
Within 1 month	**30,026**	44,486
Over 1 month but within 3 months	**25,209**	45,791
Over 3 months but within 6 months	**27,315**	34,585
Over 6 months but within 1 year	**23,331**	10,765
Over 1 year	**1,374**	810
	107,255	136,437

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

	2009 HK$'000	2008 HK$'000
At 1 April	**4,580**	3,561
Impairment loss recognised	**2,494**	2,119
Impairment loss reversed	**(400)**	—
Uncollectible amounts written off	**(849)**	(1,100)
Exchange adjustment	**(11)**	—
At 31 March	**5,814**	4,580

At 31 March 2009, the Group's accounts receivable of HK$3,217,000 (2008: HK$2,939,000) 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$2,597,000 (2008: HK$1,641,000) has been made for estimated irrecoverable amounts from the sale of goods. This provision has been determined by reference to past default experience.

21. Accounts Receivable (Continued)

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

	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	**35,818**	47,110
Past due within 1 month	**11,613**	15,779
Past due over 1 month but within 3 months	**2,762**	6,546
Past due over 3 months but within 6 months	**9,351**	1,929
Past due over 6 months but within 1 year	**908**	1,055
	24,634	25,309
	60,452	72,419

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.

(f) 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.

(g) At 31 March 2009, the Group's accounts receivable of HK$1,538,000 (2008: HK$3,523,000) 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.

22. Cash at Banks and in Hand

	The Group	
	2009 HK$'000	2008 HK$'000
Bank balances and cash in hand	**14,344**	33,059
Pledged fixed deposits	**—**	1,098
	14,344	34,157

22. Cash at Banks and in Hand (Continued)

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

	2009 HK$'000	2008 HK$'000
US dollars	**651**	863
British Pounds	**78**	51
Renminbi	**3,325**	6,805

Renminbi 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term times deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. Non-current Assets Classified as Held for Sale

	The Group	
	2009 HK$'000	2008 HK$'000
Leasehold land and buildings held for sale	**—**	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. Accordingly, the leasehold land and buildings were classified as held for sale at 31 March 2008.

These properties were previously used in the Group's administrative operations. 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 securities for banking facilities granted to the Group (note 24). On 9 May 2008, the bank released the securities.

The disposal of leasehold land and buildings was completed in June 2008, a gain on disposal of leasehold land and buildings of $13,406,000 was recognised in the income statement and the property revaluation reserve of $31,634,000 was released to retained profits.

24. Bank Borrowings

	The Group	
	2009 **HK$'000**	2008 HK$'000
Bank overdrafts	**6,457**	233
Bank loans	**58,656**	25,166
Discounted bills with recourse	**1,538**	3,523
Trust receipts and export loans	**93,462**	134,341
	160,113	163,263
The borrowings are repayable as follows:		
On demand or within one year	**137,262**	155,077
After 1 year but within 2 years	**9,726**	3,811
After 2 years but within 5 years	**13,125**	4,375
	160,113	163,263
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(137,262)**	(155,077)
Amount due for settlement after 12 months	**22,851**	8,186

Bank borrowings of the Group as at 31 March 2008 were secured by:

(a) charge over time deposits of the Group of HK$1,098,000;

(b) mortgages over leasehold land and buildings held for sale of the Group with an aggregate carrying value of HK$16,708,000;

(c) mortgage over a leasehold land and building of the Group with an aggregate carrying value of HK$2,835,000; and

(d) certain corporate guarantees provided by the Company.

Bank borrowings of the Group as at 31 March 2009 were secured by certain corporate guarantees provided by the Company.

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

25. Accounts Payable

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

	The Group	
	2009 **HK$'000**	2008 HK$'000
Within 1 month	**8,555**	43,015
Over 1 month but within 3 months	**3,896**	43,259
Over 3 months but within 6 months	**20,989**	52,913
Over 6 months	**14,021**	104
	47,461	139,291

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

26. Obligations Under Finance Leases

The Group	Minimum lease payments		Present value of minimum lease payments	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Amounts payable under finance leases:				
Within one year	**132**	132	**119**	119
In the second to fifth years inclusive	**44**	177	**40**	159
	176	309	**159**	278
Less: Future finance charges	**17**	31	**N/A**	N/A
Present value of lease obligations	**159**	278	**159**	278
Less: Amount due for settlement within 12 months (shown under current liabilities)			**119**	119
Amount due for settlement after 12 months			**40**	159

26. Obligations Under Finance Leases (Continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2–3 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.

27. Derivative Financial Instruments

	The Group	
	2009 **HK$'000**	2008 HK$'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 were negotiated to match the terms of the expected future sales. At 31 March 2009, the Group did not hold any forward currency contracts.

28. Deferred Taxation

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

	2009 **HK$'000**	2008 HK$'000
At 1 April	**1,824**	316
Credit/(charge) to profit or loss *(note 9)*	**199**	(116)
Credit to equity *(note (a))*	—	760
(Debit)/credit to equity on cash flow hedges	**(918)**	918
Change in tax rate charged to profit or loss	—	(54)
At 31 March	**1,105**	1,824

(a) The adjustment to the deferred tax assets in 2008 of HK$760,000 arising from the change in the manner of recovery of the leasehold land and buildings reclassified as held for sale was credited to the revaluation reserve.

28. Deferred Taxation (Continued)

(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 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)
Credit to profit or loss	219	193	412
At 31 March 2009	(63)	—	(63)

Deferred tax assets	**Provision** HK$'000	**Cash flow hedges** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2007	283	—	1,398	1,681
Charge to profit or loss	—	—	(217)	(217)
Credit to equity	—	918	—	918
Change in tax rate	(16)	—	(67)	(83)
At 31 March 2008	267	918	1,114	2,299
Charge to profit or loss	—	—	(213)	(213)
Debit to equity	—	(918)	—	(918)
At 31 March 2009	267	—	901	1,168

(c) The Group has unused tax losses arising in the US of US$3,276,000 (2008: US$1,962,000) that can be carried forward for offsetting against its future taxable profits.

No deferred tax assets have been recognised (2008: Nil) as the availability of future taxable profit to utilise the temporary differences is not probable.

29. Share Capital

	Number of shares	Amount
		HK$'000
Shares of the Company with nominal value of HK$0.01 each		
Authorised:		
As at 31 March 2008 and 2009	10,000,000,000	100,000
Issued and fully paid:		
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 offering *(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 and 2009	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.

30. 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 be 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.

The fair value of each share options granted in 2008 was 0.76 HK cents. The Group had not recognised an equity-settled share-based payment expenses in respect of the above share options for the year ended 31 March 2009 and 2008 as the amount is insignificant.

The fair value of equity-settled share options granted in 2008 was estimated as at the date of grant. The following table lists the inputs to the model used:

Dividend yield (%)	**44.31%**
Historical volatility (%)	**36.01%**
Expected volatility (%)	**36.01%**
Risk-free interest rate (%)	**1.44%**
Expected life of options (year)	**2 years**
Weighted average share price (HK$)	**1.34**

30. Share Option Scheme (Continued)

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Expected dividends are based on historical dividends.

In 2008, a total of 3,360,000 share options were granted to the eligible employees of the Group with a weighted average exercise price of approximately HK$1.27 per share. During the year, no share option was granted to the eligible employees and 430,000 share options were lapsed. 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	Lapsed during the year	At end of year	Exercise price	Closing price at date of grant	Exercise period
1 February 2008	1,680,000	—	(215,000)	1,465,000	HK$1.27	HK$1.25	1 February 2010 to 31 January 2012
1 February 2008	1,680,000	—	(215,000)	1,465,000	HK$1.27	HK$1.25	1 February 2011 to 31 January 2012
	3,360,000	—	(430,000)	2,930,000			

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.

31. 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.

31. Reserves (Continued)

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 reserve 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.

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 set out in note 3(f).

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(q).

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(l).

The Company

	Share premium HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 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
Profit for the year	—	—	5,430	5,430
Dividends	—	—	(21,736)	(21,736)
At 31 March 2009	79,836	148,326	643	228,805

31. Reserves (Continued)

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 a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange.

Reserves available for distribution

At 31 March 2009, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$228,805,000 (2008: HK$245,111,000), which represents the aggregate of retained earnings of HK$643,000 (2008: HK$16,949,000), contributed surplus of HK$148,326,000 (2008: HK$148,326,000) and share premium of HK$79,836,000 (2008: HK$79,836,000).

32. Disposal of a Subsidiary

On 13 November 2008, the Group disposed of its entire interest in a subsidiary, Trinity Hong Kong Company Limited.

The net assets of Trinity Hong Kong Company Limited at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Deposit	2
Amount due from a shareholder	4
Cash and bank balances	10
Other payables	(15)
	1
Gain on disposal	5
Deferred consideration	6

Deferred consideration of disposal of a subsidiary was included in the amount due from a related party as at 31 March 2009.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2009 HK$'000	2008 HK$'000
Cash and cash balances disposed of and in respect of the disposal of a subsidiary	**10**	—

33. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	The Company	
	2009	2008
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**308,733**	262,000

As at 31 March 2009, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$160,112,000 (2008: HK$163,263,000).

34. Commitments

(a) Capital commitments

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Contracted but not provided for:		
Property, plant and equipment	**550**	3,198
Interest in an associate	**2,382**	—

(b) Operating lease arrangements

	The Group	
	2009	2008
	HK$'000	HK$'000
Minimum lease payments paid under operating leases	**9,336**	3,780

34. Commitments (Continued)

(b) Operating lease arrangements (Continued)

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

	2009 HK$'000	2008 HK$'000
Within one year	**8,848**	4,882
In the second to fifth years inclusive	**9,361**	7,279
	18,209	12,161

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

35. Related Party Transactions

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

	2009 HK$'000	2008 HK$'000
Recurring transactions		
Sale of goods to Noblediam *(note i)*	**21,254**	35,967
Sale of goods to Pesona Noble *(note i)*	**2,270**	1,862
Sale of goods to Shanghai City Temple *(note i)*	**111**	—
Management fees received from Noblediam *(note ii)*	**117**	94
Management fees received from Pesona Noble *(note ii)*	**240**	240
Rental, utilities charges and building management fees paid to Guangzhou Weile Jewelry Park Company Limited ("Guangzhou Weile") in which Mr. Chan Yuen Hing, a director and shareholder of the Company ("Mr. Chan"), has beneficial interests *(note iii)*	**382**	354
Rental, utilities charges and building management fees paid to Guangzhou Worldmart Jewelry & Gems Emporium Limited in which Mr. Chan has beneficial interests *(note iii)*	**200**	113
Rental expenses paid to Shanghai City Temple *(note iii)*	**159**	—

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.

35. Related Party Transactions (Continued)

(b) Key management compensation

	2009 HK$'000	2008 HK$'000
Wages and salaries	**18,152**	17,296
Pension contributions	**121**	142
	18,273	17,438

Further details of directors' emoluments are included in note 11(a).

(c) Balances with related parties

	2009 HK$'000	2008 HK$'000
Amounts due from related parties		
Noblediam	**7,958**	11,891
Trendy	**705**	710
Ijewelry.com Limited, a company in which a director of the Company is a controlling shareholder	**19**	—
Noble Enterprises Limited, a company in which a director of the Company is a controlling shareholder	**12**	12
A family member of the director of the Company	**6**	—
	8,700	12,613
Amounts due to related parties		
Mr. Zhao De Hua, an ex-independent non-executive director of the Company	**3,515**	—
Pesona Noble	**848**	1,372
	4,363	1,372

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

(d) In February 2009, the Group acquired 4% equity interest of Shanghai City Temple from Mr. Zhao De Hua, an ex-independent non-executive Director of the Company. The consideration for the interest of an associate is approximately HK$10,044,000.

35. Related Party Transactions (Continued)

(e) In November 2008, the Group disposed of its entire equity interest of a subsidiary, Trinity Hong Kong Company Limited to a family member of Mr. Chan. Further details of the transaction are included in note 32.

(f) In December 2007, the Group entered into a conditional property purchase agreement with Guangzhou Weile, 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 in July 2008.

The above transactions (d), (e) and (f) also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

36. Capital Risk Management

The Group's objective of managing capital is 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 24, 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 29 and 31 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:

	2009 **HK'000**	2008 HK'000
Debts	**160,113**	163,263
Cash at banks and in hand	**(14,344)**	(34,157)
Net debt	**145,769**	129,106
Equity	**254,327**	269,099
Less: Other intangible assets	**—**	(2,697)
Adjusted capital	**254,327**	266,402
Net debt to equity ratio	**57%**	48%

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. Accounts receivable 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 21.

(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 2009, the Group has unutilised banking facilities of HK$148,621,000 (2008: HK$98,737,000).

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**
2009						
Bank borrowings	**160,113**	**161,803**	**127,898**	**8,360**	**11,909**	**13,636**
Obligations under finance leases	**159**	**177**	**66**	**66**	**45**	**—**
Accounts payable	**47,461**	**47,461**	**47,461**	**—**	**—**	**—**
Other payables and accrued charges	**43,681**	**43,681**	**43,681**	**—**	**—**	**—**
Amounts due to related parties	**4,363**	**4,363**	**4,363**	**—**	**—**	**—**
	255,777	**257,485**	**223,469**	**8,426**	**11,954**	**13,636**

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	—	—	—
Amounts due to related parties	1,372	1,372	1,372	—	—	—
Derivative financial instruments (net settled)	5,697	5,697	5,697	—	—	—
	343,391	345,268	330,483	5,991	4,214	4,580

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.

	2009 Effective interest rate %	**HK$'000**	2008 Effective interest rate %	HK$'000
Variable rate borrowings				
Short-term				
Bank overdrafts	**5.25% to 5.50%**	**6,457**	5.25%	233
Bank loans	**1.75% to 3.00%**	**35,805**	3.10% to 4.35%	16,980
Discounted bills with recourse	**N/A**	**1,538**	N/A	3,523
Trust receipts and export loans	**1.60% to 4.79%**	**93,462**	3.4% to 6.25%	134,341
		137,262		155,077
Long-term				
Bank loans	**1.71% to 3.18%**	**22,851**	3.85% to 4.88%	8,186
Fixed rate borrowing				
Obligation under finance lease	**4.5%**	**159**	4.5%	278

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

At 31 March 2009, 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$765,000 (2008: HK$718,000). 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 2008.

37. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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 US 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.

In 2008, the Group entered into certain forward currency contracts. The purpose was to manage the currency risks arising from the Group's highly probable foreign currency forecast sales.

At 31 March 2009, no forward currency contract is designed as hedges (2008: HK$5,122,000).

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 2009	**USD '000**	**GBP '000**	**EUR '000**	**RMB '000**	**JPY '000**
Accounts receivable	**15,329**	**451**	**50**	**75,044**	**32,143**
Other receivables, deposits and prepayments	**134**	**10**	**13**	**406**	**2,982**
Amounts due from related parties	—	—	**39**	—	—
Cash at banks and in hand	**462**	**17**	**22**	**952**	**39**
Bank borrowings	**(2,147)**	—	—	—	—
Accounts payable	**(1,848)**	—	—	—	—
Other payables and accrued charges	**(211)**	**(14)**	—	**(8)**	**(94)**
Net exposure	**11,719**	**464**	**124**	**76,394**	**35,070**

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, deposits and prepayments	8	1	135	205	3,777
Amounts due from related parties	—	—	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

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	2009 Increase/ (decrease) in foreign exchange rates	2009 Effect on profit for the year and retained profits HK$'000	2009 Effect on other components of equity HK$'000	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
USD	**5%**	**8,308**	**—**	(5%)	(3,244)	—
	(5%)	**(8,308)**	**—**	5%	3,244	—
GBP	**10%**	**2,763**	**—**	10%	2,973	—
	(10%)	**(2,763)**	**—**	(10%)	(2,973)	—
EUR	**10%**	**128**	**—**	10%	(5,641)	(7,344)
	(10%)	**(128)**	**—**	(10%)	5,641	7,344
RMB	**10%**	**9,541**	**—**	10%	1,876	—
	(10%)	**(9,541)**	**—**	(10%)	(1,876)	—
JPY	**10%**	**278**	**—**	10%	722	—
	(10%)	**(278)**	**—**	(10%)	(722)	—

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 2008.

(v) Price risk

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

37. Financial Risk Management (Continued)

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008.

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 2009 and 2008 may be categorised as follows:

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**145,375**	195,470
Financial liabilities		
Financial liabilities measured at amortised cost	**242,055**	321,830
Derivative financial liabilities at fair value	—	5,697

39. Subsequent Event

On 26 May 2009, the Company's wholly-owned subsidiary, Noble Jewelry Limited, entered into a joint venture agreement (the "JV Agreement") with Glorious (China) Limited (the "JV Partner") relating to the formation of a joint venture company for the purpose of establishing a retail platform and exploring jewelry road show business in Sam's Club operated by Wal-Mart in the US. Upon the completion of the JV Agreement, the joint venture company is owned as to 70% by the Group and 30% by the JV Partner, respectively.

In addition, on even date, Noble Jewelry Limited entered into the loan agreement with the JV Partner, pursuant to which Noble Jewelry Limited shall make available a loan of up to USD1 million to the JV Partner for its business development. Up to the date of this Annual Report, Noble Jewelry Limited has advanced USD1 million to the JV Partner.

Further details of the formation of the joint venture and financial assistance to the JV Partner are disclosed in the Company's announcement dated 26 May 2009.

40. Comparative Figures

Amounts due from/(to) associates, net of HK$662,000 included in associates at 31 March 2008 was reclassified to amount due from/(to) related parties in current assets/(liabilities) to conform with the current year presentation.

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				
	2009 HK$'000	2008 HK$'000 *(Note 2)*	2007 HK$'000	2006 HK$'000 *(Note 1)*	2005 HK$'000 *(Note 1)*
Results					
Turnover	**631,947**	761,976	655,349	547,612	453,924
Profit before taxation	**5,599**	70,842	63,982	54,900	37,972
Taxation	**(4,269)**	(10,215)	(7,688)	(6,347)	(4,589)
Profit for the year attributable to the equity holders of the Company	**1,330**	60,627	56,294	48,553	33,383

	As at 31 March				
	2009 HK$'000	2008 HK$'000 *(Note 2)*	2007 HK$'000	2006 HK$'000 *(Note 1)*	2005 HK$'000 *(Note 1)*
Assets and Liabilities					
Non-current assets	**114,240**	63,622	80,731	72,565	58,801
Current assets	**396,670**	552,804	385,446	306,886	262,995
Current liabilities	**(233,692)**	(338,982)	(306,879)	(246,513)	(191,632)
Net current assets	**162,978**	213,822	78,567	60,373	71,363
Total assets less current liabilities	**277,218**	277,444	159,298	132,938	130,164
Non-current liabilities	**(22,891)**	(8,345)	(7,451)	(2,079)	(5,741)
Net assets	**254,327**	269,099	151,847	130,859	124,423

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 (the "Prospectus"). 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. In addition, the assets and liabilities of the Group as at 31 March 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.

(2) Figures were reclassified to conform with the current year presentation.