Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2008

Stock Code : 0938

The Ultimate Name

In

Pearls

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Cheng Chung Hing *(Chairman)*
Mr. Cheng Tai Po *(Deputy Chairman)*
Ms. Yan Sau Man, Amy

Independent Non-Executive Directors
Mr. Lee Kang Bor, Thomas
Mr. Kiu Wai Ming, Kenneth
Mr. Lau Chi Wah, Alex

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Mr. Pak Wai Keung, Martin

AUDIT COMMITTEE

Mr. Lee Kang Bor, Thomas *(Chairman)*
Mr. Kiu Wai Ming, Kenneth
Mr. Lau Chi Wah, Alex

REMUNERATION COMMITTEE

Mr. Kiu Wai Ming, Kenneth *(Chairman)*
Mr. Lee Kang Bor, Thomas
Mr. Lau Chi Wah, Alex
Mr. Cheng Chung Hing
Mr. Cheng Tai Po

AUDITORS

Grant Thornton

LEGAL ADVISERS

Baker & McKenzie
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

LISTING INFORMATION

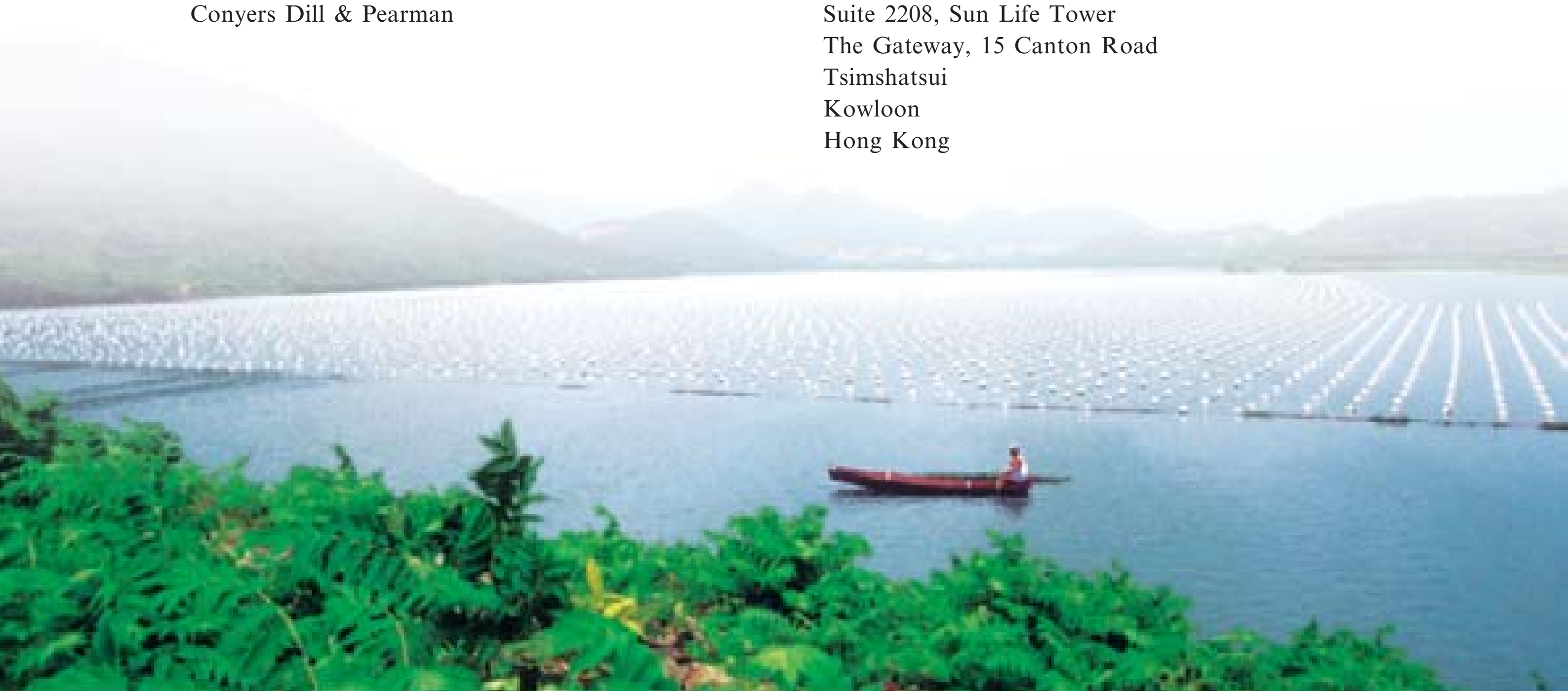
The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 0938)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2208, Sun Life Tower
The Gateway, 15 Canton Road
Tsimshatsui
Kowloon
Hong Kong



Corporate Profile

Man Sang International Limited (the "Company") and its subsidiaries (the "Group") have two main business streams. One of the business streams is engaging in the purchasing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearl business"). The other is engaging in property development and investment (the "Property business").

The shares of the Company have been listed on the main board of Stock Exchange of Hong Kong Limited since 1997 under the stock code of 0938. The holding company of the Company, Man Sang Holdings, Inc., is a company incorporated in Nevada State of the United States of America with its shares listed on the American Stock Exchange under the ticker symbol of "MHJ".

The Group is one of the world's largest pearl merchants, purchasers and processors of saltwater pearls. Pearls and jewelry products processing, manufacturing and assembling are conducted at the Group's self-own facilities in the Man Sang Industrial City in Shenzhen, the People Republic of China (the "PRC"). There are 27 blocks of buildings in total encompassing a total gross floor area of approximately 813,000 square feet.

With its rich experience in pearl business over the years, the Group in 2006 joined with six major pearls and jewelry players in the PRC to develop a large-scale international jewelry trading platform, the China Pearls and Jewelry project (the "CP&J project") in Zhuji of Zhejiang Province, the PRC. On April 12, 2007, the Group held 55% equity interests and became the controlling shareholder of the China Pearls and Jewellery City Holdings Limited (the "CP&J City") which in turn develops and manages the CP&J project. Upon completion of the CP&J project, it will become an integrated trading platform tailored for multiple business sectors, encompassing trade, exhibition, manufacturing and processing operations, as well as supporting business services and facilities. CP&J project will become a prominent centre of travelling and shopping of pearl and jewelry as well.

Pearls

Pearl products include Chinese cultured pearls, Chinese freshwater pearls, Japanese cultured pearls, Tahitian pearls and South Sea pearls. Products are principally sold to jewelry manufacturers, wholesale jewelry distributors and mass jewelry merchandisers throughout the world.

Financial Highlights

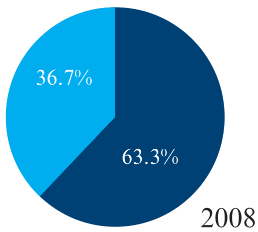
	Increase HK$'000	change (%)	2008 HK$'000	2007 HK$'000
Key Financial Performance				
For the year ended March 31,				
Revenue	237,989	59%	**640,493**	402,504
Gross Profit	160,086	137%	**277,010**	116,924
Profit before taxation	523,385	779%	**590,550**	67,165
Profit for the year	343,678	573%	**403,629**	59,951
Profit attributable to the equity shareholders	172,424	288%	**232,375**	59,951
Earnings per share				
— Basic	14.23 cents	238%	**20.22 cents**	5.99 cents
— Diluted	13.65 cents	232%	**19.53 cents**	5.88 cents
Net asset values	746,597	110%	**1,425,641**	679,044
Key Financial Ratios				
For the year ended March 31,				
Gross profit margin			**43%**	29%
Current ratio (times)			**1.9**	11
Gearing ratio (Total bank borrowings/ total equity attributable to equity shareholders)			**0.16**	N/A
Return on equity shareholders' fund (Profit attributable to equity shareholders/ Total equity attributable to equity shareholders)			**19%**	9%

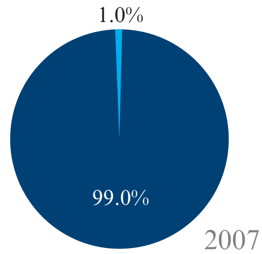
Financial Highlights

All segments

1) Revenue by business segments

- Pearls & jewelry segment
- Property development & investment segment

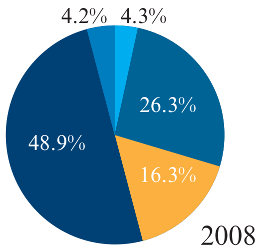


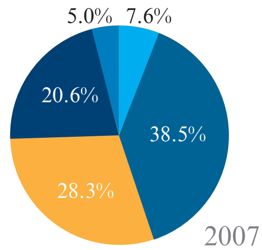


All segments

2) Revenue by geographical segments

- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other

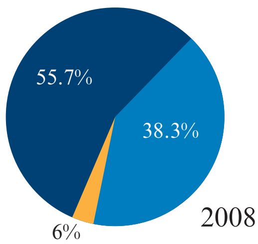


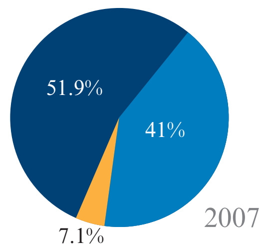


Pearls and jewelry segment

3) Revenue by products

- Saltwater pearls
- Freshwater pearls
- Assembled jewelry

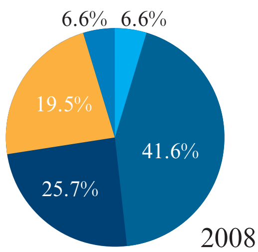


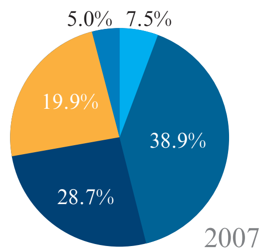


Pearls and jewelry segment

4) Revenue by geographical segments

- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



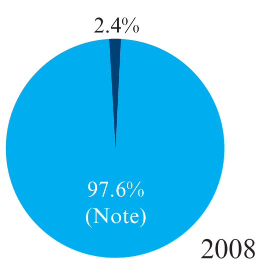


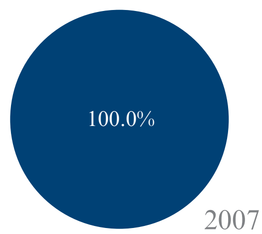
Property development and investment segment

5) Revenue by business sectors

- CP&J Project ("China Pearl and Jewelry Project")
- Other properties in the PRC & HK

Note: China Pearls and Jewellery City Holding Limited is consolidated in our group's financial statement for first time in 2008.





Highlights of the Year 2007/2008

Topping-out ceremony of the CP&J project

International press conference of the CP&J project

2007 Annual General Meeting

Worldwide Jewelers visit CP&J project

April 12, 2007
Acquired additional 6% equity interests in CP&J City which in turn became a subsidiary of the Company

April 12-19, 2007
Attended the Baselword 2007- World Watch Jewellery Show

May 12-16, 2007
Participated in Vicenzaoro Spring

May 25, 2007
Topping-out ceremony of Phase 1 Market Centre of the CP&J project

June 1-5, 2007
Participated in JCK Show - Las Vegas, the United States

June 22, 2007
International Press Conference of the CP&J project

July 10, 2007
Entered into a placing agreement to place 200,000,000 ordinary shares of the Company

July 29 – August 1, 2007
Participated in JA International Jewelry (Summer) Show

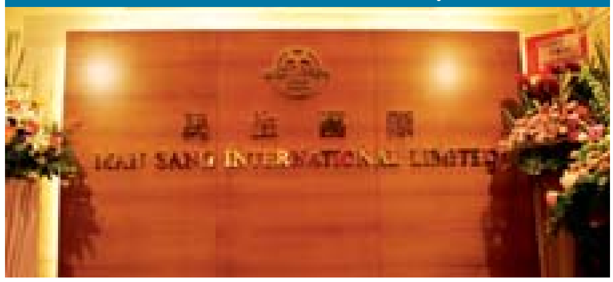
August 1, 2007
2007 Annual General Meeting in Conrad Hotel

07/08

Highlights of the Year 2007/2008

Hong Kong International Jewellery Show

New office in the Gateway



Jewelers Association and International Vendors visit CP&J project

Grand opening of Phase One Market Centre of CP&J project

August 28, 2007
Jewelry participants from all over the world visit the CP&J project

September 6-7, 2007
Representatives from Jewellery Association and International Jewelers take a trip to the CP&J project

September 15-19, 2007
Participated in Vicenzaoro autumn

January 13-20, 2008
Participated in Vicenzaoro winter

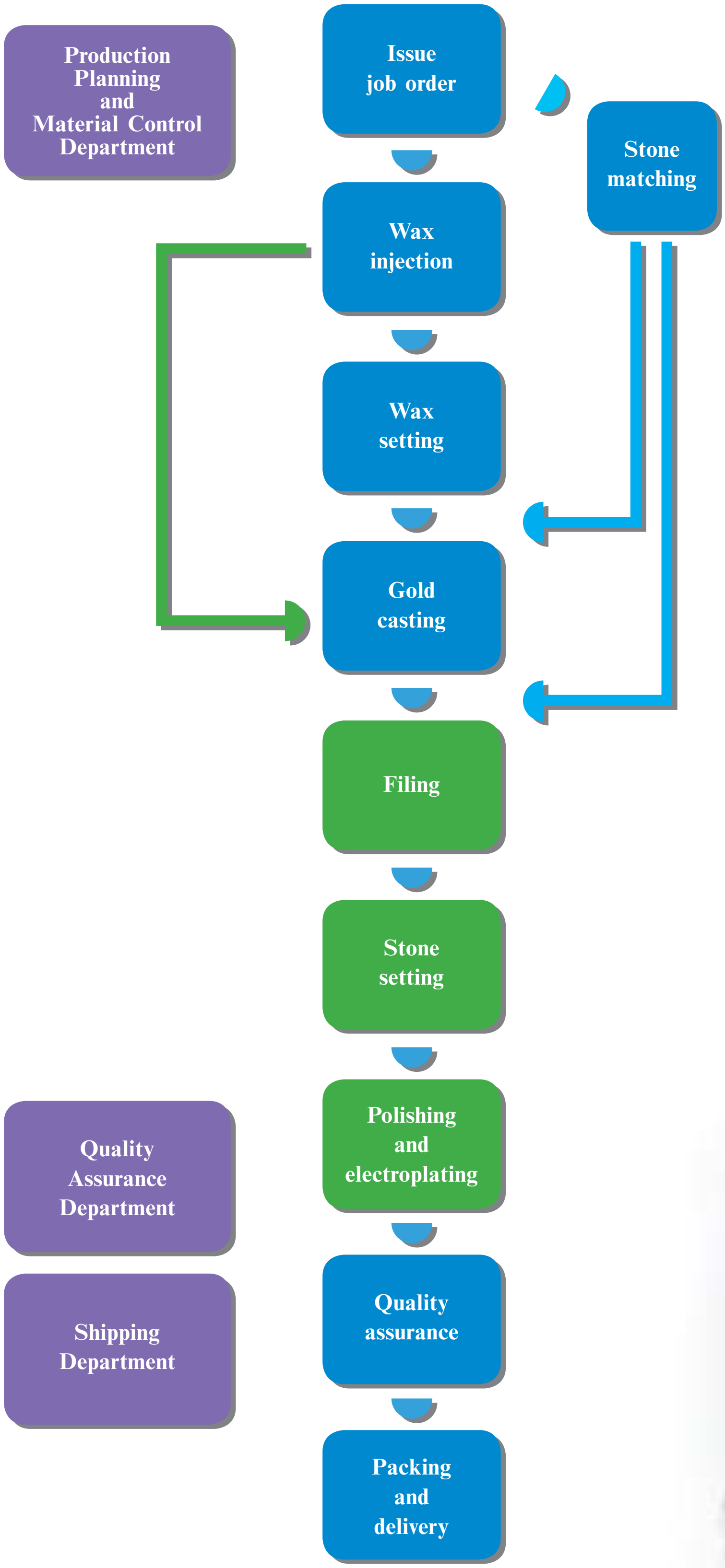
March 4-8, 2008
Participated in Hong Kong International Jewellery Show

March 31, 2008
Signed tenancy agreement for our new office in the Gateway, Tsimshatsui, Hong Kong

April 18, 2008
Grand-opening of Phase One Market Centre of CP&J project

07/08

Assembled Jewelry



The Group offers customers with a comprehensive range of assembled jewelry. The pearl jewellery assembled by the Group are set with precious stones, gold, platinum and other accessories. These jewelry sets include assembled necklaces, earrings, brooches, rings, pendants and bracelets.

Chairman's Statement

The Group's audited profit attributed to shareholders amounted to HK$232 million, increased by 288% when compared to last fiscal year.

Performance

During the year under review, the Group has attained solid performance in turnover and profit attributable to equity shareholders. The Group recorded turnover of approximately HK$640 million (2007: HK$402 million), representing an increase of 59% when compared with last year. Gross profit increased by 136.9% to HK$277 million (2007: HK$117 million). Profit attributable to equity shareholders rose by 288% to HK$232 million (2007: HK$60 million). Basic earnings per share increased from last year's HK5.99 cents to HK20.22 cents.

While the global economy experienced overall growth in 2007, the United States and global economy is likely to experience greater turbulence. However, the overall economy in China continued to enjoy a robust and steady growth in 2007, with further increment of per capita income. With great potential for growth in the PRC market, our Property business progressed well as scheduled. Also, our continued focus on our Pearl business also resulted in solid progress despite the more uncertain global environment. We will commit to high-quality and customer-oriented service resulted in performance gains and growth in the Pearl and Property businesses in order to meet emerging market trends and needs.

Chairman's Statement

Dividend

The Board recommends the payment of a final dividend of HK3 cents per share for the year ended March 31, 2008 to shareholders whose names appear on the Register of Members of the Company subject to the approval of Shareholders at forthcoming Annual General Meeting on August 1, 2008. It is expected the dividend will be paid on or about August 11, 2008.

Prospect

With rich experience and an excellent reputation in the pearl industry, we will continue to strive to grow our pearl operations by expanding our global network of customers through European and Asian markets and strengthening our relationship with other well-known brands in the jewelry business.

We adhere to the strategy of striving for diversified development in our bid to enhance shareholder value. The grand opening and operation of the Market Centre Phase One of the CP&J project in April 2008 was an important milestone in the property business of the Group. Sales and rental of the Market Centre units are in line with our expectation. With the CP&J project and related facilities up and running, it will become an integrated trading platform incorporating manufacture, processing and sales. CP&J project will become a large scale centre of travelling and shopping of pearl and jewelry as well. We expect the property business to contribute to our sustainable growth in the near and long term.

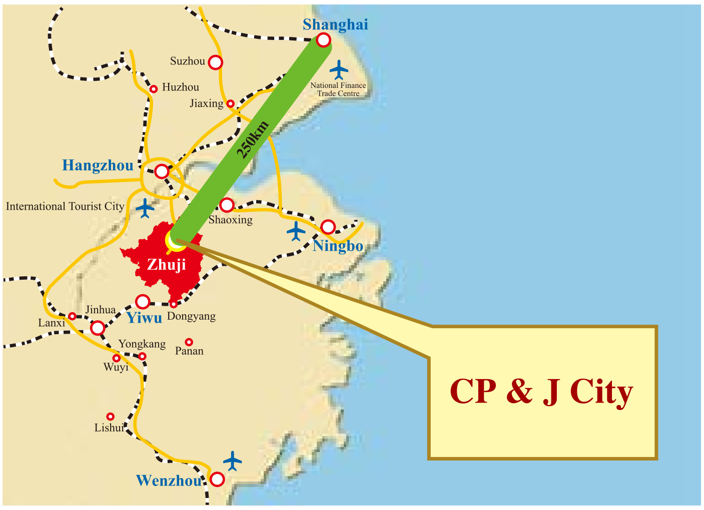
Despite certain negative impacts, including the subprime lending market and the tightening of macroeconomic measures and increase of inflation rates in China, we expect to take advantage of existing growth opportunities and to benefit from continued strong domestic demand in China. We have performed well in fiscal year 2008. While we expect to encounter challenges in the future, with sound fundamentals and demonstrated financial strength, we are moving forward with positive momentum and look forward to solving these challenges, reaping new rewards and unlocking new opportunities.

I would like to take this opportunity to express my sincere thanks to the Group's shareholders, customers and suppliers for their continuing support and trust and to all members of the Board and the employees for their hard work and contributions to the Company.

Cheng Chung Hing
Chairman

Hong Kong, June 26, 2008

China Pearls & Jewelry City



CP&J Hotel

Manufacturing and Processing Areas

Prime Apartment

Phase I Market Centre

Multi-Complex Building

Corporate Structure

Man Sang Holdings, Inc.
(Note 1)

Man Sang International
(B.V.I.) Limited
(Note 2)

Man Sang International
Limited

Pearls & Jewelry Segment

- Man Sang Jewellery Company Limited (100%)
- Arcadia Jewellery Limited (100%)
- Asean Gold Limited (100%)
- Man Hing Industry Development (Shenzhen) Co., Ltd. *(Note 4)* (100%)

Property Development and Investment Segment

CP&J Project

- China Pearls and Jewellery City Holdings Limited *(Note 3)* (55%)
- China Pearls and Jewellery International City Co., Ltd. (55%)

Others

- Excel Access Limited (100%)
- Man Hing Industry Development (Shenzhen) Co., Ltd. *(Note 4)* (100%)
- Hong Kong Man Sang Investments Limited (100%)
- Man Sang Development Company Limited (100%)
- Swift Millions Limited (100%)

Note 1
A company incorporated in Nevada State of the United States of America with limited liability and its shares are listed on the American Stock Exchange under the ticker symbol of "MHJ".

Note 2
A wholly-owned subsidiary of Man Sang Holdings, Inc..

Note 3
China Pearls and Jewellery City Holdings Limited is the holding company of China Pearls and Jewellery International City Co., Ltd..

Note 4
Man Hing Industry Development (Shenzhen) Co. Ltd. is engaged in the main businesses including pearls and jewelry operation and real estate operation.

Management Discussion and Analysis

Business Review

Emerging weaknesses relating to recent developments in the subprime lending market in the United States and the impact of such developments on the United States economy may threaten market conditions in the United States and globally. Despite negative developments in the subprime lending market, we expect to meet expected growth estimates for the year. We are diversified geographically and well-positioned to react to fluctuating market conditions. We therefore expect to maintain steady growth in our Pearls and Jewelry segment.

Upon reviewing the performance of the Phase One Market Centre of the China Pearls and Jewelry Project ("CP&J Project"), many of the potential purchasers have signed up contracts for their preferred units. Market feedback has also met our expectations. In this regard, the Company is taking a positive view on the contributions of the CP&J Project.

The People's Republic of China (the "PRC") economy continued its rapid growth in 2007, continuing the pattern of double-digit growth in Gross Domestic Product of the past 5 years, which increased by approximately RMB2.4 trillion, or 11%, from approximately RMB21.1 trillion in 2006 to approximately RMB23.5 trillion in 2007.

In response to concerns about China's high growth rate in certain economic sectors, the PRC government has recently introduced a number of macroeconomic measures which are designed to tighten monetary control and slow rapid economic growth of the PRC's economy in certain sectors to a more sustainable level by, *inter alia*, curbing such sectors, including the property market. Despite the introduction of these measures to slow economic growth to a more manageable level, we expect our property development and investment segment to remain one of our core businesses and to continue to contribute to our sustainable growth. Further, we do not believe the introduction of these measures will adversely impact the CP&J Project as this project involves the integration of numerous business sectors outside of real estate developments, including trading, exhibition, manufacturing and processing, business services and supporting facilities. Construction of the Phase One Market Centre of the CP&J Project was completed in March 2008. Despite the measures and restrictions implemented by the government to control direct foreign investments in the real estate sector, the property sector remained active with rising transaction volume and rent levels due to the support of strong economic growth, appreciation of Renminbi and improving results of foreign-invested enterprises in the PRC.

The disposable income of citizens residing in urban cities or towns grew by 12% while the consumer goods prices grew by only 5%. With increased spending power of customers in PRC, there will still be much room for an expansion of our pearl and jewelry trading platform including the trading of pearls and jewelry, the processing, manufacturing, research and development of jewelry products in Zhuji of Zhejiang Province, the PRC.

During 2008, the Group commenced the construction of stage two of Phase One of CP&J Project with a planned gross floor area of approximately 100,000 square meters, including manufacturing and processing areas, residential areas and multi-complex buildings. We have fully capitalized on our thorough research efforts into local market demand and consumer preference, together with our excellent project management expertise and extensive cost control experience. This adds value to every aspect of the CP&J Project so as to provide quality properties catering specifically to our target customers.

Financial Review

In March 2007, the Group entered into an agreement to acquire the additional 6% of total issued share capital of China Pearls and Jewellery City Holdings Limited the ("CP&J City"), an associate, and the assignment of the loan, for a consideration of HK$60.0 million. Upon completion of the acquisition on April 12, 2007, the Group had 55%

Management Discussion and Analysis

equity interest in CP&J City, which became a subsidiary of the Company. This transaction has been accounted for using the acquisition method of accounting and the results of CP&J City were consolidated in the Group's financial statements for the first time under Hong Kong Financial Reporting Standards.

The Group has two main business segments during the year. One of the business segments is engaging in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearl Segment") and another is engaging in property development and investment (the "Property Segment"). During the fiscal year 2008, the Group successfully launched the sale of Phase One Market Centre in CP&J Project and recorded satisfactory sales with 32% of total planned saleable areas sold at expected selling prices. The Pearl Segment and the Property Segment accounted for 63.3% and 36.7% of the Group's revenue (including rentals) respectively.

No financial information for CP&J City in last fiscal year is available for comparison with that in the current fiscal year as the results of CP&J City is consolidated in the Group in this fiscal year for the first time. Thus, the previous year's financial information is represented only by investment properties held by the Group in Hong Kong and the PRC for comparison purpose.

Revenue and gross profit

Revenue increased by HK$238.0 million from HK$402.5 million in fiscal year 2007 to HK$640.5 million in fiscal year 2008, which was due primarily to the sales of Phase One Market Centre units in CP&J Project in the amount of HK$228.3 million in the fourth quarter of fiscal year 2008.

Gross profit increased by HK$160.1 million from HK$116.9 million in fiscal year 2007 to HK$277.0 million in fiscal year 2008, which was due primarily to an increase in gross profit of HK$145.7 million attributable to sales of Phase One Market Centre units in CP&J Project in the fourth quarter of fiscal year 2008. The Group's gross margin was increased from 29% in fiscal year 2007 to 43.2% in fiscal year 2008.

Investment income increased by HK$7.4 million from HK$10.8 million in fiscal year 2007 to HK$18.2 million in fiscal year 2008, which was primarily due to an increase in interest income by HK$8.3 million from HK$9.0 million in fiscal year 2007 to HK$17.3 million in fiscal year 2008. This increase was partially offset by a decrease in net realized gain on sale of marketable securities of HK$0.8 million.

Other operating income

Other operating income decreased by HK$17.1 million from HK$24.0 million in fiscal year 2007 to HK$6.9 million in fiscal year 2008, which was primarily due to one-time sales of obsolete inventory of HK$22.5 million in fiscal year 2007 with no such revenue in fiscal year 2008. This decrease was partially offset by a gain on sale of an investment property of HK$5.6 million in fiscal year 2008.

Increase in fair values of investment properties

According to the valuation reports dated March 31, 2008 prepared by independent professional property valuers, the fair values of investment properties in the CP&J Project and other properties in Hong Kong and the PRC increased by HK$448.9 million (2007: HK$Nil) and HK$6.0 million (2007: HK$2.0 million), respectively.

Selling, administrative and other operating expenses ("S&A expenses")

S&A expenses increased by HK$79.8 million from HK$87.3 million in fiscal year 2007 to HK$167.1 million in fiscal year 2008, which was primarily due to an increase in S&A expenses of the Property Segment of HK$33.1 million and an impairment loss on goodwill of HK$47.3 million in fiscal year 2008.

Management Discussion and Analysis

Taxation

Taxation increased by HK$179.7 million from HK$7.2 million in fiscal year 2007 to HK$186.9 million in fiscal year 2008, which was primarily due to an increase in profit before taxation and higher tax rates including income tax and land appreciation tax applied to property sales.

Profit attributable to equity shareholders

Profit attributable to equity shareholders increased by HK$172.4 million from HK$60.0 million in fiscal year 2007 to HK$232.4 million in fiscal year 2008, which was primarily due to the sales and the lease of Phase One Market Centre units in CP&J Project in the fourth quarter of fiscal year 2008, which contributed net profit of HK$166.3 million.

Investment properties

As at March 31, 2008, the total carrying values of investment properties held by the Group are stated at fair value. The carrying values of Market Centre of the CP&J Project and other properties in Hong Kong and the PRC are HK$869 million (2007: HK$Nil) and HK$84 million (2007: HK$96.8 million) respectively. As at March 31, 2008, the Group achieved a targeted occupancy rate of 20% in the CP&J Project's market centre with secured 3 years' leasing term.

After a review of existing investment properties held by the Group, the properties contributed remarkable returns to the Group this fiscal year which included the disposal of an investment property in Hong Kong amounting to HK$25 million. After deducting net asset values of investment property at HK$19.4 million, a gain of HK$5.6 million was made.

Liquidity and capital resources

As at March 31, 2008, the Group's total equity increased to HK$1,221.3 million or HK$1.0 per share from HK$679.0 million or HK$0.68 per share.

As at March 31, 2008, the Group's total secured bank loans were HK$199.8 million (2007: HK$Nil). Gearing ratio as at March 31, 2008, calculated on the basis of total borrowings to total equity, was 0.16. Based on the net borrowings, after deduction of bank and cash, to total equity, such gearing ratio as at March 31, 2008 was zero in line with the disclosure requirement of HKAS 1 (Amendment). The maturity profile of the Group's total borrowings is set out as follows:

	2008 **HK$'000**
Repayable:	
Within 1 year	**33,300**
More than 1 year but not exceeding 2 years	**66,600**
More than 2 years but not exceeding 5 years	**99,900**
	199,800

The Group had available bank facilities of HK$414.8 million in total with various banks at March 31, 2008, of which HK$199.8 million was drawn and HK$215.0 million was unutilized.

Management Discussion and Analysis

With ample committed banking facilities in place, cash in hand and continuous cash inflows from operations, the Group has adequate financial resources to meet our anticipated future liquidity requirements.

Cash and cash equivalents amounted to HK$587.6 million (2007: HK$296.4 million) accounted for 54% (2007: 70%) of Group's total current assets. The Group's net cash inflow generated from operating activities was HK$332.4 million, increased by HK$264.7 from HK$67.7 million in fiscal year 2007, primarily due to the property sales in CP&J Project in the fourth quarter of fiscal year 2008. Net cash outflow of HK$341.0 million for investing activities primarily comprised payments for properties under development in CP&J Project.

During the year, the Company made a placement of 200 million existing shares at a price of HK$1.48 per placing share to raise gross fund proceeds of HK$296.0 million.

Current assets and current liabilities

As at March 31, 2008, current assets amounted to HK$1,083.2 million (2007: HK$421.8 million) and current liabilities amounted to HK$566.8 million (2007: HK$40.0 million). Current ratio decreased to 1.9 to 1 as at March 31, 2008 from 10.5 to 1 as at March 31, 2007.

Major customers and suppliers

For the year ended March 31, 2008, the aggregate amount of sales from the five largest customers accounted for 27% (2007: 41%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 57% (2007: 52%) of the total purchases of the Group.

Contingent liabilities

During the year of review, the Company issued corporate guarantees to banks in respect of general banking facilities granted to its subsidiaries. No banking facilities with corporate guarantees have been utilized by subsidiaries as at March 31, 2008.

The subsidiary of CP&J City executed a mortgage collaboration agreement with a PRC bank under which the Group has agreed to indemnify the loan maker who purchased the property in CP&J Project for repaying any loan outstanding to the bank if the sales and purchase contract with the required collateral documents in relation to the purchased property are not presented to the bank in due course. As at March 31, 2008, the Group has maximum guarantees of HK$28.2 million. The directors consider that in case of default in payments, the repayments of the outstanding mortgage principal together with the accrued interest and penalty thereon would be more than covered by the net realizable value of the related property and, accordingly, no provision has been made in the financial statements in respect of the guarantees.

Save as disclosed above, the Group had no other significant contingent liabilities as at March 31, 2008.

Treasury policy

During the year, the Group had no derivative contracts to hedge against exchange fluctuations. The impact of potential revaluation of the Renminbi is not considered to be significant to our operations.

As at March 31, 2008, we borrowed HK$199.8 million under floating rate credit facilities. The Group does not currently use any derivatives to manage our interest rate risk.

Management Discussion and Analysis

Human resources

As at March 31, 2008, the Group had 1,143 (2007: 1,026) employees, of whom 81 (2007: 79) employees were based in Hong Kong. For the year ended March 31, 2008, total staff cost, including directors' emoluments, share-based payments and provident funds, was approximately HK$57.8 million (2007: HK$53.5 million). Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined with reference to market conditions and individual performance. During the year, all Hong Kong employees have participated in the Mandatory Provident Fund Scheme.

Performance of the Pearl Segment

Revenue and gross profit

Revenue increased by HK$7.1 million from HK$398.3 million in fiscal year 2007 to HK$405.4 million in fiscal year 2008, which was primarily due to an increase in sales of jewelry products by HK$17.5 million from HK$205.5 million in fiscal year 2007 to HK$223.0 million in fiscal year 2008.

Gross profit increased by HK$11.8 million from HK$112.7 million in fiscal year 2007 to HK$124.5 million in fiscal year 2008. Gross margin increased from 28.3% in fiscal year 2007 to approximately 30.7% in fiscal year 2008. The increase in gross margin was mainly due to cost reductions on the production line of assembled jewelry sectors following the implementation of effective cost controls and the enhancement of production efficiency.

Other income

Investment income increased by HK$5.8 million from HK$10.8 million in fiscal year 2007 to HK$16.6 million in fiscal year 2008, which was primarily due to an increase in interest income by HK$6.7 million from HK$9.0 million in fiscal year 2007 to HK$15.7 million in fiscal year 2008. This increase was partially offset by a decrease in net realized gain on sale of marketable securities of HK$0.8 million.

Other operating income decreased by HK$23.3 million from HK$24.0 million in fiscal year 2007 to HK$0.7 million in fiscal year 2008, which was primarily due to one-time sales of obsolete inventory of HK$22.5 million in fiscal year 2007 with no such revenue in fiscal year 2008.

S&A expenses

S&A expenses decreased by HK$0.6 million from HK$83.0 million in fiscal year 2007 to HK$82.4 million in fiscal year 2008, primarily due to a write-back of provision for doubtful debts of HK$5.3 million and a reduction in stock compensation expenses of HK$4.0 million. This decrease was partially offset by increases in selling expenses of HK$2.0 million and foreign exchange costs of HK4.1 million.

Taxation

Taxation decreased by HK$0.1 million from HK$6.7 million in fiscal year 2007 to HK$6.6 million in fiscal year 2008, which was primarily due to an decrease in taxable income in fiscal year 2008.

Liquidity and capital resources

The Pearl Segment's liquidity was funded by the collection of accounts receivable and sale of inventory. Cash and cash equivalents amounted to HK$434.2 million, increased by HK$150.0 million from HK$284.2 million at March 31, 2007.

Management Discussion and Analysis

The Group had no bank loans drawn for the Pearl Segment as at March 31, 2008.

With ample committed banking facilities in place, cash in hand and continuous cash inflows from operations, the Group has adequate financial resources to meet the anticipated future liquidity requirements of the Pearl Segment.

Current assets and current liabilities

As at March 31, 2008, current assets amounted to HK$591.9 million (2007: HK$407.8 million) and current liabilities amounted to HK$37.5 million (2007: HK$38.2 million). Current ratio increased to 15.8 to 1.0 as at March 31, 2008 from 10.7 to 1.0 as at March 31, 2007.

Performance of the Property Segment

Revenue and gross profit

For the year ended March 31, 2008, the Property Segment recorded a total revenue of HK$228.3 million (2007: HK$Nil) which was mainly attributable to the sales of properties in CP&J Project.

Rental income amounting to HK$1.3 million (2007: HK$Nil) and HK$5.5 million (2007: HK$4.2 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively. Rental income made by the CP&J Project has been consolidated since March 2008 which was in line with the inception of the term of rental properties.

Costs of sales of the Group for year ended March 31, 2008 was approximately HK$82.6 million which represented sales of properties in the CP&J Project and gross margin was maintained at 63.8%.

Other income

Other income of the Group for the year ended March 31, 2008 was approximately HK$462.7 million (2007: HK$2 million), which mainly included:

Increase in fair values of investment properties

According to the valuation reports dated March 31, 2008 prepared by independent professional property valuers, the fair values of investment properties in the CP&J Project and other properties in Hong Kong and the PRC increased by HK$448.9 million (2007: HK$Nil) and HK$6.0 million (2007: HK$2.0 million), respectively.

Gain on disposal of investment property

In October 2007, the Group disposed of an investment property amounting to HK$25 million. After deducting net asset values of the investment property at HK$19.4 million, a gain of HK$5.6 million was made.

Selling expenses

Selling expenses for the year ended March 31, 2008 was approximately HK$15.8 million (2007: HK$Nil), including the CP&J Project's expenses related to advertisement and promotion activities for our properties, fees to relevant professional marketing personnel and expenses on other marketing promotion activities. Selling expenses accounted for 6.7% of the total revenue of this segment.

Management Discussion and Analysis

Administrative and other operating expenses

Administrative and other operating expenses for the year ended March 31, 2008 amounting to HK$64.5 million (2007: HK$Nil) and HK$4.4 million (2007: HK$4.3 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively. This mainly included staff costs, consultancy fees, general office expenses and impairment loss on goodwill in CP&J City. Administrative and other operating expenses accounted for 30% of the total revenue of this segment.

Taxation

Taxation of this segment for the year ended March 31, 2008 consisted of income tax of HK$14.6 million (2007: HK$Nil), land appreciation tax of HK$53.2 million (2007: HK$Nil) arising from the sales of properties and deferred taxation of HK$112.5 million (2007: HK$0.5 million) arising from the revaluation gain of the investment properties. The income tax, land appreciation tax and deferred tax provisions were mainly made in respect of CP&J City.

Liquidity and capital resources

The segment's primary uses of cash are to pay for capital expenditure, construction costs, land costs, infrastructure costs, consulting fees to architects and designers and finance costs, as well as normal recurring expenses. The segment has financed its liquidity requirements through a combination of internal resources (including the sales of properties and rental income) and bank borrowings with the pledged land.

As at March 31, 2008, the segment had cash and cash equivalents of HK$153.4 million (2007: HK$12.2 million), which was mainly denominated in Renminbi and Hong Kong dollar.

Current assets and current liabilities

As at March 31, 2008, the segment had current assets of HK$491.3 million (2007: HK$14.0 million) and current liabilities of HK$529.3 million (2007: HK$1.8 million).

Current assets mainly include cash and cash equivalents of HK$153.4 million (2007: HK$12.2 million), properties held for sales of HK$182.4 million (2007: HK$Nil), trade receivable of HK$80 million (2007: HK$Nil) and prepayments and deposits of HK$75.5 million (2007: HK$1.8 million).

Current liabilities mainly comprise bank borrowings of HK$33.3 million (2007: HK$Nil), construction payables of HK$110 million (2007: HK$Nil), receipts in advance of HK$129 million (2007: HK$Nil), advances received from customers of HK$67 million (2007: HK$Nil), loans from minority shareholders of HK$114 million (2007: HK$Nil) and other and tax payables of HK$76 million (2007: HK$1.8 million).

Management Discussion and Analysis

Investment properties

As at March 31, 2008, the total carrying values of investment properties held by the Group are stated at fair value. The carrying values of Market Centre of the CP&J Project and other properties in Hong Kong and the PRC are HK$869 million (2007: HK$Nil) and HK$84 million (2007: HK$96.8 million) respectively. As at March 31, 2008, the Group achieved a targeted occupancy rate of 20% in the CP&J Project's market centre with secured 3 years' leasing term.

After a review of existing investment properties held by the Group, the properties contributed remarkable returns to the Group this fiscal year which included the disposal of an investment property in Hong Kong amounting to HK$25 million. After deducting net asset values of investment property at HK$19.4 million, a gain of HK$5.6 million was made.

Profile of Directors and Senior Management

Executive Directors

Mr. CHENG Chung Hing, aged 47, is the Chairman and the Chief Executive Officer of the Company. He, in joint efforts with other members of the Board, is responsible for the overall management of the Group as well as the formulation and development of the Group's corporate policies and business strategies. Mr. Cheng had been awarded the "Young Industrialist Awards of Hong Kong 1997" by the Federation of Hong Kong Industries and the "Distinguished International Entrepreneur of the Year Award 1997" by San Francisco State University. He is currently a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference, honorary life president of the Hong Kong Gemstone Manufacturers' Association Limited, honorary chairman of Gem and Jewelry Committee of China General Chamber of Commerce, honorary chairman of Zhejiang Pearl Trade Association and vice chairman of the Chamber of Commerce for Jewelry and Precious Metals Industry of All-China Federation of Industry and Commerce. He has over 25 years of experience in pearl business and also years of experience in jewelry business.

Mr. CHENG Tai Po, aged 56, is the Deputy Chairman of Company. He is responsible for the purchasing and processing of pearls of the Group and has developed a special pearl processing technique, as well as a special grading system which is used by a large number of the Group's customers. Mr. Cheng is a board member of the Zhanjiang Ocean University, the PRC and a general committee member of the Hong Kong Jewellery Manufacturers' Association. Over the years, Mr. Cheng has developed close relationships with pearl suppliers and has built up a strong and reliable supply network. He has over 25 years of experience in pearl business. Mr. Cheng Tai Po is the brother of Mr. Cheng Chung Hing.

Ms. YAN Sau Man, Amy, aged 45, is the Sales Director of the Company. She, in joint efforts with other members of the Board, is responsible for the overall management of the Group as well as the formulation and development of the Group's corporate policies and business strategies. She is also responsible for the formulation and implementation of the Group's overall sales and marketing strategies. Ms. Yan has over 20 years of experience in sales and marketing in pearl business.

Profile of Directors and Senior Management

Independent Non-executive Directors

Mr. LEE Kang Bor, Thomas, aged 54, is also the Managing Director of Thomas Lee & Partners Limited and an Independent Non-executive Director and Chairman of the audit and remuneration committee of CIG Yangtze Ports PLC which shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the Society of Trust and Estate Practitioners, the Chartered Institute of Company Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries; a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Lee holds a bachelor's and master's degrees in laws from the University of London and was called to the Bar of the Lincoln's Inn. He served as President of the Taxation Institute of Hong Kong from 1999 to 2002, and is an advisor of the Asia-Oceania Tax Consultants' Association.

Mr. KIU Wai Ming, Kenneth, aged 60, has been in the banking and finance field for over 30 years. He is currently the Chief Executive Officer of Walker Group Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is also an Independent Non-executive Director of CCB International (Holdings) Ltd. Mr. Kiu holds a bachelor's degree in economics and marketing from Louisiana State University, the United States of America.

Mr. LAU Chi Wah, Alex, aged 44, is a member of the Institute of Chartered Accountants in England and Wales. He holds a bachelor's degree in accounting from University of East Anglia, United Kingdom. Mr. Lau manages initial public offerings and fund-raising exercises and advises listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He has over 20 years of experience in corporate finance and accounting.

Senior Management

Mr. PAK Wai Keung, Martin, aged 44, is the Chief Financial Officer and Company Secretary of the Group. He has joined the Group in August 2006. Mr. Pak had worked for several international accounting firms and a bank in Hong Kong. He is responsible for the financial and accounting management and corporate secretarial affairs of the Group. Mr. Pak is a fellow member of Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in accounting, finance and management.

Mr. CHENG Sai, aged 52, is the Deputy General Manager of Man Hing Industry Development (Shenzhen) Co., Ltd ("Man Hing"). He is responsible for the overall operations of Man Hing. Mr. Cheng has over 20 years of experience in pearl business. He is the brother of Mr. Cheng Chung Hing and Mr. Cheng Tai Po.

Corporate Governance Report

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect shareholders' interest in general. The Board has adopted a Corporate Governance Statement of Policy which gives guidance on how corporate governance principles are applied to the Group.

The Group has applied the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended March 31, 2008 except that (i) the Independent Non-executive Directors have not been appointed for any specific terms, but they are subject to retirement and eligible for re-election in each Annual General Meeting in accordance with Bye-Laws of the Company and (ii) Mr. Cheng Chung Hing ("Mr. Cheng") assumes the role of both the Chairman and the Chief Executive Officer of the Group.

In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in the light of local and international best practices.

STATEMENT OF COMPLIANCE

A. Directors

A.1 The Board

Principle of the Code

> An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

The overall management of the Company's business is vested in the Board.

The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The directors have to take decisions objectively in the interests of the Group.

The day-to-day management, administration and operation of the Group are delegated to the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board is currently composed of three Executive Directors (including the Chairman and Deputy Chairman of the Company) and three Independent Non-executive Directors, whose biographical details are set out in "Profile of Directors and Senior Management".

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

In addition, the Company has received from each of the Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance Report

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.	Yes	The Board met four times during the year and conducted the following principal activities: — approval of quarterly, interim and final results, announcements; quarterly, interim and annual reports, and declaration of dividends; — discussion of business strategies and plans; — retirement and re-election of Mr. Kiu Wai Ming, Kenneth and Mr. Lau Chi Wah, Alex as Directors in compliance with the Bye-law of the Company and the Code; — re-appointment of auditors; — matters to be considered at the Annual General Meeting.
A.1.2 All directors shall be given an opportunity to include matters in the agenda for regular board meetings.	Yes	Draft agendas for regular board meetings are provided to all Directors for comments and consideration for including any matters for deliberation at such meetings.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other meetings, reasonable notice should be given.	Yes	At least 14 days' prior notice had been given for all regular Board meetings. Reasonable advanced notices by phone and/or in writing are given to all Directors for all other Board meetings.
A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed.	Yes	Directors have access to the services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with. The Company Secretary has attended all board meetings and answered questions raised by the Board members.
A.1.5 Minutes of board meetings and meetings of board committee should be kept by a duly appointed secretary of the meeting and open for inspection on reasonable notice by any director.	Yes	Minutes are kept by the Company Secretary as secretary of the meetings and available for inspection at the Company's principal place of business. Such minutes are distributed to and available for inspection by Directors/ Board committee members as required.

Corporate Governance Report

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.1.6 Minutes of board meetings and meetings of board committees should be recorded in sufficient detail. Draft and final versions of minutes should be sent to all directors for their comments and records within a reasonable time after the board meeting is held.	Yes	All draft minutes of Board meetings and Board committees were recorded in sufficient details and sent to Directors or committee members, as the case may be, for review and comment within a reasonable time of each meeting.
A.1.7 There should be a procedure for directors to seek independent professional advice at the issuer's expense.	Yes	Directors are aware that independent professional advice, if required, can be sought at the Company's expense. The procedure is that such request for advice should be raised at a Board meeting or, in case of emergency, by way of circulation to all Directors.
A.1.8 If a substantial shareholder/director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, a board meeting should be held. Independent non-executive directors should be present at such board meeting.	Yes	The Company has adopted such a policy.

Compliance with Recommended Best Practice

— There is in place a Directors & Officers' Liabilities Insurance cover in respect of legal actions against the Directors and senior management arising out of corporate activities; and

— Board Committees have adopted broadly the same principles and procedures as stated in A.1.1 to A.1.8 of Appendix 14 to the Listing Rules.

Corporate Governance Report

A.2 Chairman and Chief Executive Officer

Principle of the Code

There should be a clear division between the management of the board and the day-to-day management at the board level of the issuer's business to ensure a balance of power and authority so that power is not concentrated in any one individual.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	No	Currently, the Company has not complied with this provision. The positions of the Chairman and Chief Executive Officer are held by Mr. Cheng. Mr. Cheng is one of the founders and a substantial shareholder of the Group and has outstanding industry experience. The Board is of the view that it is in the best interest of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is capable to guide the growth of the Group and report to the Board in a timely manner on pertinent issues and to facilitate open dialogue between the Board and management. In addition, the Group's business is best served when strategic planning and decisions are made and implemented by the management under the leadership of Mr. Cheng.
A.2.2 & A.2.3 The chairman should ensure that all directors are properly briefed on issues arising at board meetings and they receive adequate information in a timely manner.	Yes	The Chairman has ensured that all Directors are properly briefed and provided adequate information on issues arising at board meetings in a timely manner.

Compliance with Recommended Best Practice

— Clear division of responsibilities between Chairman and the Deputy Chairman has been approved and adopted by the Company.

— The Chairman has a clear responsibility to ensure that the Board works effectively and discusses all key and relevant issues.

— The Company has in place a formal process of Board evaluation since 2005. The process takes the form of a meeting between the Chairman and/or Deputy Chairman and Independent Non-executive Directors without management presence, to be held at least once a year. These annual meetings serve as a forum where a broad range of strategic and performance matters are openly discussed.

Corporate Governance Report

A.3 Board composition

Principle of the Code

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient caliber and number for their views to carry weight.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors. The Board has from time to time reviewed its own structure, size and composition to ensure that it has a balance of expertise, skills and experience appropriate to the corporate governance requirement of the Group as well as the ongoing development and management of its business activities.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications.	Yes	Independent Non-executive Directors are always disclosed as such in all corporate communications.

Compliance with Recommended Best Practice

Biographies of Directors, including clear designation of their roles and responsibilities are maintained on the Company's website at www.man-sang.com.

Corporate Governance Report

A.4 Appointment, re-election and removal

Principle of the Code

There should be a formal and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.4.1 & A.4.2 Non-executive directors should be appointed for a specific term, subject to re-election. All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Partial Compliance	Pursuant to relevant provision of the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his/her appointment. All Directors would retire at annual general meeting at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on a voluntary basis. At the Annual General Meeting of the Company held on August 1, 2007, Mr. Kiu Wai Ming, Kenneth and Mr. Lau Chi Wah, Alex, both Independent Non-executive Directors retired from office and were re-elected.

Corporate Governance Report

A.5 Responsibilities of directors

Principle of the Code

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	No new director was appointed during the year. An information package containing an introduction to the Group's operations, the Code, and directors' responsibilities, duties and other applicable statutory and regulatory requirements will be provided to newly appointed directors upon their appointment. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other applicable statutory requirements.
A.5.2 The functions of non-executive directors should include: (a) bring an independent judgment at the board meeting; (b) take the lead where potential conflicts of interests arise; (c) serve on the audit, remuneration, and other governance committees, if invited; and (d) scrutinize the issuer's performance.	Yes	Independent Non-executive Directors are well aware of their functions and have actively performed such functions. The Audit Committee is made up of all three Independent Non-executive Directors of the Company. It reviews the Group's performance and the quarterly, interim and final results announcements in the four quarterly regular Audit Committee meetings.

Corporate Governance Report

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.5.3 Every director should ensure that he can give sufficient time to the affairs of the issuer.	Yes	The attendance of all Board and Board Committees during the period from April 1, 2007 to March 31, 2008 has been set out below. All Executive Directors work full time for the Group and give their full attention to the businesses of the Group. All the Independent Non-executive Directors have given sufficient time to the affairs of the Group.
A.5.4 Directors must comply with their obligations under the Model Code set out in Appendix 10.	Yes	The Company has adopted a code of conduct regarding securities transactions of Directors and employees ("Securities Code") no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code"). To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and Securities Code, a Director is required to notify the Chairman or Deputy Chairman in writing and obtain a written acknowledgement from the committee set up prior to any dealings in Securities. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code and Securities Code throughout the period from April 1, 2007 to March 31, 2008.

Corporate Governance Report

Compliance with Recommended Best Practice

Directors disclose their other directorship at the time of appointment and, subsequently, at least once every year to the Company.

There were satisfactory attendances and active participations at Board, Board committee and general meetings by the Directors.

During the year, the following full Board and Board committee meetings were held. The attendance record of each director at the aforesaid meetings is set out below:

	Board	Audit Committee	Remuneration Committee
Executive Director			
Cheng Chung Hing *(Chairman)*	5/5	N/A	2/2
Cheng Tai Po *(Deputy Chairman)*	5/5	N/A	1/2
Yan Sau Man, Amy	3/5	N/A	N/A
Independent Non-executive Directors			
Lee Kang Bor, Thomas	5/5	6/6	2/2
Kiu Wai Ming, Kenneth	5/5	5/6	2/2
Lau Chi Wah, Alex	3/5	4/6	2/2

The Independent Non-executive Directors had during the year contributed at the Board and the Board Committees their constructive and valuable advices to the Company in the development of the Company's strategies and policies, in particular on the areas of compliance of regulatory and statutory requirements, internal control and risk management.

Corporate Governance Report

A.6 Supply of and access to information

Principle of the Code

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.6.1 Agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meetings (or such other period as agreed).	Yes	Agenda and board papers were sent to all Directors at least three (3) days (generally seven (7) days) before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meeting.
A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The board and each director should have separate and independent access to the issuer's senior management.	Yes	Senior management work closely with the Board and meet with the Board members, including Independent Non-executive Directors on regular basis. They are required to submit to the Board on a regular basis reports on the Company's operations they are responsible for the Board to make informed decisions.
A.6.3 All directors are entitled to have access to board papers. Steps must be taken to respond as promptly and fully as possible.	Yes	Properly signed Board papers and minutes are kept by the Company Secretary and are available for inspection by Directors at short notice. All Directors are entitled to have access to senior management who will respond to queries raised by the Directors promptly.

Corporate Governance Report

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

Principle of the Code

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
B.1.1 Issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	Yes	A Remuneration Committee has been established by the Board with specific written terms of reference and a majority of the members of the Committee are Independent Non-executive Directors. The duties of the Remuneration Committee include: — determining the policy for the remuneration of the Company; — approving the terms of service contracts; — ensuring the remuneration offered is appropriate for the duties and in line with market practice.
B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	A meeting of the Remuneration Committee was held on May 29, 2007 during which resolutions were passed, after discussions, in respect of the grant of performance bonus of Executive Directors and the senior management of the Company for the year ended March 31, 2007 and their salary review for the year ended March 31, 2008.

Corporate Governance Report

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
B.1.3, B.1.4 & B.1.5 The terms of reference of the remuneration committee should include the specific duties as stipulated in B.1.3 of Appendix 14 to the Listing Rules. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	The terms of reference of the Remuneration Committee are set out in writing with adoption of the specific duties as provided in B.1.4 of Appendix 14 to the Listing Rules. It is made available upon request. The Company will pay for all professional advice and other assistance as required by the Remuneration Committee.

Compliance with Recommended Best Practice

Details of remuneration of the Chairman, Deputy Chairman and the Executive Director and the Independent Non-executive Directors are disclosed on an individual basis in this Annual Report.

Corporate Governance Report

C. Accountability and Audit

C.1 Financial Reporting

Principle of the Code

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	The management is required to provide detailed report and explanation to enable the Board to make an informed assessment before approval, and has followed such a practice throughout the years.
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	Company's Directors and auditors have acknowledged and stated their respective responsibilities on preparation of accounts and issue of auditors' report.
C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and quarterly reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	Yes	The Board has presented a balanced, clear and understandable assessment of the Company's position to its shareholders and the public in all its reports and public announcements.

Corporate Governance Report

C.2 Internal Control

Principle of the Code

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	Yes	The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. Management is charged with the responsibility to design and implement an appropriate internal control system. The internal audit department ("IA Department") is responsible for internal audit function of the Group and monitors the internal control procedures and systems and reports its findings and recommendations, if any, to the Audit Committee on a quarterly basis. During the year ended March 31, 2008, the IA Department adopted a risk-based approach focusing on processes and controls that were material. No material or significant control weaknesses were discovered. The Board, through the Audit Committee, had reviewed the effectiveness of the system of internal control of the Group which covered all material controls, including financial, operational and compliance controls and risk management functions and is satisfied that the Group in the financial year ended March 31, 2008 fully complied with the code provision on internal control as set out in the Code. The Group further enhances its internal control system by adopting the principles set down by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"). The COSO framework comprises of five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; Monitoring which strengthen the effectiveness of the internal control system in detecting fraud and other irregularities. During the year ended March 31, 2008, the Group has engaged a consultant to perform a high level risk assessment for the purpose of enhancing the effectiveness of the internal control system in accordance with the COSO framework.

Corporate Governance Report

C.3 Audit Committee

Principle of the Code

> The board should establish formal and transparent arrangement for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.3.1 Full minutes of audit committee should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee should be sent to all members of the committee for their comments and records respectively, in both cases within a reasonable time after the meeting.	Yes	Minutes prepared by the Company Secretary as secretary of the meeting were sent to members of the Audit Committee for comments and amendments, and final versions were sent for their approval and signature within a reasonable time of each meeting. Full minutes are kept by the Company Secretary.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for one year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.	Yes	The Audit Committee does not have any member who was appointed as a member of the committee within one year after he ceases to be a partner of the Group's existing auditing firm and none of the committee members has any financial interest in the audit firm.
C.3.3 The terms of reference of the audit committee should include at least the following duties: (a) review of relationships with issuer's auditors; (b) review of financial information of the issuer; and (c) oversight of the issuer' financial reporting system and internal control procedures.	Yes	The terms of reference of the Audit Committee covers the mentioned scope of duties stated in this provision of the Code. The auditors have kept the Audit Committee members up to date on the recent changes made to the Hong Kong Financial Reporting Standards.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	Yes	The terms of reference of the Audit Committee are available upon request.

Corporate Governance Report

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuers should include in the Corporate Governance Report a statement from the audit committee. The audit committee should make available its terms of reference, explaining its recommendation and also the reason(s) why the board has taken a different view.	Yes	There was no disagreement on the selection and appointment of external auditors.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	The Company has provided sufficient assistance and resources as required by the Audit Committee.

The Audit Committee holds regular meetings at least four times a year and organizes additional meetings if and when necessary. There were six audit committee meetings held during the year ended March 31, 2008. The following is a summary of works performed by the audit committee during the year:

(i) reviewed the financial reports for the year ended March 31, 2007, for the three months ended June 30, 2007, for the six months ended September 30, 2007 and for the nine months ended December 31, 2007;

(ii) reviewed quarterly internal audit reports by the IA Department in respect of the Group's internal control system and procedures, its effectiveness and the regular updates on key risk areas of financial control;

(iii) discussed and approved the plan and timetable for internal control review;

(iv) reviewed the effectiveness of the internal control system;

(v) interviewed the candidates for and reviewed the engagement of a consultant for the provision of consultancy services on high level risk assessment, and considered the recommendations of the consultant engaged for the purpose of enhancing the effectiveness of the internal control system adopting the principles set down by COSO;

(vi) reviewed, discussed and assessed the financial performance of investments by the Group;

(vii) reviewed the performance of the CP&J Project, a major project in China, heard explanation from the management the progress and stages of completion of the project, examined closely the issues arising, results, profitability, and cashflow of the project, and critically assessed its future performance and cashflow projections;

Corporate Governance Report

(viii) reviewed the compliance of the People's Republic of China incorporated entities of the Group in accordance with the laws and regulations of China; and

(ix) reviewed the independence of the external auditors and audit fee estimate for 2007/08.

D. Delegation by the Board

D.1 Management functions

Principle of the Code

An issuer should have formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management.	Yes	The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.
D.1.2 An issuer should formalize the functions reserved to the board and those delegated to management.	Yes	The duties of the Board include: — formulating operational strategies and management policy and establishing corporate governance and internal control system; — setting the objective of management; — monitoring performance of management. The duties of the management include: — reviewing the business performance; — ensuring adequate fundings and cashflows for its operations; and — monitoring performance of the various divisions and departments of the Group.

Corporate Governance Report

D.2 Board Committees

Principle of the Code

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

The Board has established an Audit Committee and a Remuneration Committee, with defined terms of reference. The terms of reference of the Board Committees are available upon request.

The Board Committees are provided with sufficient resources to discharge their duties and, upon request, and through a decision of the Board, can seek independent professional advice, at the Company's expense.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
D.2.1 Board committees are established with sufficiently clear terms of reference.	Yes	The Board has established two Board Committees with specific terms of reference.
D.2.2 The terms of reference of board committees should require such committees to report back to the board.	Yes	Board Committees would report to the Board their work, findings and recommendations in Board meeting.

Corporate Governance Report

E. Communication with Shareholders

E.1 Effective Communication

Principle of the Code

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.1.1 A separate resolution should be proposed by the chairman of a general meeting for substantially separate issue.	Yes	Separate resolutions are proposed at the meeting on each substantially separate issue.
E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, and remuneration committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duty appointed delegate, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	The Chairman of the Board attended the annual general meeting of the Company ("2007 AGM") held on August 1, 2007. Both chairmen of the Audit Committee and the Remuneration Committee also attended the AGM to make themselves available to answer questions raised at the meeting.

Corporate Governance Report

E.2 Voting by Poll

Principle of the Code

The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.2.1 to E.2.3 Disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll. The issuer should ensure that votes cast are properly counted and recorded. The chairman of a meeting should at the commencement of the meeting ensure that the procedures for demanding a poll by shareholders and the detailed procedures for conducting a poll are explained.	Yes	Rights of shareholders and procedures to demand a poll were clearly set out in the circular accompanying the notice of 2007 AGM distributed to all shareholders on the shareholders' register. These procedures were also explained during the proceedings of the 2007 AGM. At the 2007 AGM, votes cast were properly counted and recorded.

Corporate Governance Report

Auditors' Remuneration

The Group's independent external auditors are Grant Thornton, Certified Public Accountants. The statement of the auditors about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report of this Annual Report.

During the year, the Group has engaged Grant Thornton on various services which are listed as follows:

(i) **Audit services** — audit services provided in connection with the audit of the consolidated financial statements;

(ii) **Other services** — any services other than audit services engagement.

The Group uses the services of the external auditors where they are best suited.

The remuneration for the audit and non-audit services provided by Grant Thornton to the Group during the year ended March 31, 2008 was as follows:

Type of services	**Amount** HK$'000
Audit	1,150
Transaction support services	263
Total:	1,413

Information Disclosure and Investor Relations

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company strengthens its communications with shareholders through various channels including publication of interim and annual reports, press release and announcements of the latest development of the Company in its corporate website in a timely manner.

During the year, the Group has adopted its own Corporate Disclosure Policy which provides guidance for coordinating the disclosure of material information to investors, analysts and media and the dissemination of results announcements to ensure timely and accurate disclosures in compliance with the provisions of the Listing Rules.

The Annual General Meeting provides an opportunity for shareholders to exchange views with the Board. The Chairman of the Company and the Chairman of Audit Committee and Remuneration Committee had attended the 2007 AGM of the Company held on August 1, 2007 to answer shareholders' questions.

Resolutions were proposed at 2007 AGM on each substantial separate issue, including the election of individual directors.

Details of the poll voting procedures and rights of shareholders to demand a poll have been included in the circular to shareholders dispatched together with the 2007 annual report. Details of the proposed resolutions have also been set out in the circular.

Corporate Governance Report

The Group has voluntarily adopted a quarterly reporting practice since its listing on the Stock Exchange in 1997. Such a practice has improved the Group's transparency in its management, business operations and financial positions and helped to keep shareholders, potential investors and the general public up to date on the business development and results of the Group. The public are welcomed to give their comments and make their enquiries through the Company's website and the management always providing their prompt responses.

Director's Responsibility in Respect of Financial Statements

The Board is responsible for preparing the financial statements of the Group and the external auditors are responsible for reporting in the auditors' report on the financial statements of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company aims to present a clear and balanced assessment of its financial position and prospects. The Board must ensure that the financial statements for the Group are prepared so as to give a true and fair view of the financial status of the Group. Audited financial statements are published within three months after the end of the financial year.

The reporting responsibilities of the Directors and external auditors are further set out in the Report of Independent Auditors in this Annual Report.

For the announcement relating to the price-sensitive information and other financial disclosures required under the Listing Rules are disclosed pursuant to statutory requirements.

Management Meetings

Executive Directors and the Senior Management regularly meet together to reviewing, discussing and making decisions on financial and operational matters. These meetings, chaired by the Chairman, enhance and strengthen departmental communications and cooperation within the Group.

Incentive Scheme and Corporate Culture

The Company maintains an employee handbook providing guidance to employees on matters such as employee dealings on the Company's securities, ethical standards, business conduct and employees conduct. The employee handbook applies to all employees of the Group who are required strict compliance with the policies therein. Through the establishment of a performance charter for the Senior Management, appropriate appraisal mechanisms, and the granting of share options, the Company has been able to align the interests of the Senior Management and entire staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, designed and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group.

Directors' Report

The Directors present this Director's Report (the "Report") together with the audited financial statements of the Group for the year ended March 31, 2008.

Principal Activities

The Company acts as an investment holding company. The Group is principally engaged in two operating segments. Firstly, the pearls and jewelry segment which includes purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products. Secondly, the property developments and investments segment which includes development, sales and leasing of properties. The principal activities of the subsidiaries are set out in note 45 to the financial statements.

Major Customers and Suppliers

For the year ended March 31, 2008, the aggregate amount of sales from the five largest customers accounted for 27% (2007: 41%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 57% (2007: 52%) of the total purchases of the Group.

None of Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

Results and Appropriations

The results of the Group for the year ended March 31, 2008 are set out in the consolidated income statement on page 59 of this Annual Report.

The Board recommended the payment of a final dividend of HK3 cents (2007: HK3 cents) per share to the shareholders on the register of members of the Company on August 1, 2008. The proposed final dividend will be paid on or about August 11, 2008 subject to the approval of shareholders at forthcoming Annual General Meeting of the Company. The final dividend proposed in respect of the year ended March 31, 2008 amounted to approximately HK$36,742,000.

Investment Properties

Details of movements in investment properties of the Group during the year are set out in note 18 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 20 to the financial statements.

Bank Borrowings and Interest Capitalized

Bank borrowings repayable on demand or within one year are classified under current liabilities. Details of the bank borrowings are set out in note 32 to the financial statements. Interest and other borrowing costs capitalized by the Group during the year are set out in note 12 to the financial statements.

Directors' Report

Distributable Reserves of the Company

The distributable reserves of the Company as at March 31, 2008 calculated under Companies Act of Bermuda amounted to HK$173,714,000.

Reserves

Details of the movements in reserves of the Company during the year are set out in note 36 to the financial statements.

Share Capital

Details of the movements on share capital of the Company are set out in note 34 to the financial statements.

Donations

Donations made by the Group during the year amounted to HK$1,524,000.

Five-year Financial Summary

A five-year financial summary of the Group is set out on page 127.

Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of the Report were:

Executive Directors
Mr. Cheng Chung Hing *(Chairman)*
Mr. Cheng Tai Po *(Deputy Chairman)*
Ms. Yan Sau Man, Amy

Independent Non-executive Directors
Mr. Lee Kang Bor, Thomas
Mr. Kiu Wai Ming, Kenneth
Mr. Lau Chi Wah, Alex

In accordance with Articles 86 and 87 of the Company's Bye-Laws and for compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po retire by rotation and, being eligible, offer themselves for re-election.

Directors' Service Agreement

Each of the Executive Directors has entered into a service agreement with the Company for a fixed term of three years from September 1, 2006 until terminated by not less than three months' notice in writing served by either party giving to the other.

Directors' Report

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming Annual General Meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set out on pages 25 to 26.

Directors' Interests in Contracts

Save as disclosed above and under the section headed "Connected Transactions" below, no contract of significance to which the Company, its subsidiaries, its holding companies or any subsidiaries of its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Connected Transactions

During the year, the Group sold jewelry products amounting to HK$250,000 and reimbursed salaries for services provided by staff of the Company amounting to HK$456,000 to China South City Holdings Limited ("CSC Holdings"), a company in which Messrs. Cheng Chung Hing and Cheng Tai Po, Directors, have beneficial interests.

During the year, rental charges paid to CSC Holdings during the year amounting to HK$209,000 and the purchase of a motor vehicle from CSC Holdings amounting to HK$324,000. Both Messrs. Cheng Chung Hing and Cheng Tai Po, Directors, have beneficial interests in CSC Holdings.

Specific performance Obligations of the Controlling Shareholder

No specific performance obligations of the controlling shareholder are required to be disclosed under paragraph 13.18 of Chapter 13 of the Listing Rules.

Share Options

Particulars of the Company's share option scheme which was adopted on August 2, 2002 are set out in note 35 to the financial statements.

Directors' Report

Details of the movement of the share options granted under the Share Option Scheme during the year are set out below:

Number of Share Options

Grantees	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Balance at April 1, 2007	Granted during the year	Exercised during the year	Lapsed during the year	Balance at March 31, 2008	Notes
						Changes during the year				
Directors										
Mr. Cheng Chung Hing	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1), (3)
Mr. Cheng Tai Po	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1), (3)
Ms. Yan Sau Man, Amy	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	10,000,000	—	—	—	10,000,000	(1), (3)
					12,000,000	—	—	—	12,000,000	
Other Employees	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	23,000,000	—	(8,000,000)	—	15,000,000	(1), (2), (3)
	September 18, 2006	September 18, 2006 to September 17, 2011	Nil	0.233	20,000,000	—	(13,000,000)	—	7,000,000	(1), (2), (3)
	March 13, 2007	January 1, 2008 to March 12, 2012	March 13, 2007 to December 31, 2007	0.5	5,000,000	—	—	—	5,000,000	(1), (3)
					48,000,000	—	(21,000,000)	—	27,000,000	
					60,000,000	—	(21,000,000)	—	39,000,000	

Notes:

(1) These share options represent personal interest held as beneficial owner.

(2) The weighted average closing price of the shares of the Company immediately before the date of the exercise of the share options was HK$1.18.

(3) The Company recorded the fair value of these share options as staff cost in the income statement. The Company will record the nominal value of the shares which is HK$0.10 per share issued pursuant to the exercise of these share options as additional share capital and the Company will record the excess of the exercise price of the share options over the nominal value of the shares in its share premium account. Any share options which have lapsed or been cancelled will be deducted from the balance of the share options.

Directors' Report

Directors' Interests in Securities

As at March 31, 2008, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

(a) Ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares of HK$0.10 each held: Direct interest	Deemed interest (Note 1)	Total interest	Percentage of the issued share capital of the Company
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	130,341,273	494,406,000	624,747,273	51.01%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	76,086,180	494,406,000	570,492,180	46.58%

Note 1: These shares were indirectly owned by (a) Man Sang Holdings, Inc. ("MSH"), a company incorporated in the State of Nevada, the United States of America and (b) Cafoong Limited ("Cafoong"), a company incorporated in the British Virgin Islands. Both MSH and Cafoong held their interest in shares of the Company, through an indirect interest in Man Sang International (B.V.I.) Limited ("MSBVI"), a company incorporated in the British Virgin Islands which directly holds these 494,406,000 shares. Cafoong indirectly holds 100% equity interest in MSBVI through MSH, in which Cafoong holds 53.86% of the common stock and all the Series A preferred stock at March 31, 2008, which totally represent 69.24% of the voting rights of MSH. Messrs. Cheng Chung Hing and Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong, respectively.

Directors' Report

(b) Common stock in an associated corporation — MSH

Name of director	Capacity	Number of common stock of US$0.001 each held in MSH held Direct interest	Deemed interest (Note 2)	Total interest	Percentage of the common stock of MSH
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	—	3,437,501	3,437,501	53.86%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	—	3,437,501	3,437,501	53.86%

Note 2: These shares were directly and indirectly owned by Cafoong. Cafoong holds 53.86% of the common stock and all the Series A preferred stock of MSH at March 31, 2008, which totally represent 69.24% of the voting rights of MSH. Messrs. Cheng Chung Hing and Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong, respectively.

All interests stated above represent long positions.

Save as disclosed above and under the section headed "Share Options" as at March 31, 2008, none of the Directors had any interest and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register to be kept under section 352 of the SFO; or as otherwise notified to the Company and the HKEX pursuant to the Model Code.

Arrangements to purchase Shares or Debentures

Save as disclosed under the section headed "Directors' Interests in Securities" above, at no time during the year was the Company, its subsidiaries, its holding companies, or any subsidiaries of its holding companies, a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations.

Directors' Report

Substantial Shareholders

As at March 31, 2008, the interests and short positions of those persons in the share and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follow:

Name of shareholder	Capacity	Number of shares held Direct interest	Deemed interest	Percentage of the common stock of MSH	Notes
MSBVI	Beneficial owner	494,406,000	—	40.36%	
MSH	Interests of a controlled corporation	—	494,406,000	40.36%	1
Cafoong	Interests of a controlled corporation	—	494,406,000	40.36%	2

Notes:

1. This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI which is a wholly-owned subsidiary of MSH.

2. This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI whereby Cafoong together with its wholly owned subsidiaries directly and indirectly holds 53.86% of the common stock and all of the Series A preferred stock of MSH at March 31, 2008, represented 69.24% of the voting rights of MSH.

Save as disclosed above, as at March 31, 2008, the Company has not been notified of any person or entity had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transaction by the Directors. Having made specific enquiries with all the Directors, the Company confirmed that all the Directors have complied with the required standard as set out in the Model Code throughout the year ended March 31, 2008.

Independence of Independent Non-executive Directors

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

Audit Committee

The audit committee, which comprises three Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the Auditors, the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended March 31, 2008.

Directors' Report

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report under the Listing Rules.

Pre-Emptive Rights

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

Auditors

Moores Rowland Mazars have been appointed as auditors of the Company since the fiscal year 2005.

Moores Rowland Mazars have changed their name to Moores Rowland on June 1, 2007 and amalgamated their practice with Grant Thornton. As a result, Grant Thornton was appointed as auditors by the shareholders in 2007 AGM who will retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment.

Purchase, Redemption or Sale of Listed Securities

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

Corporate governance

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a pro active investor relations programme. The Board believed that the Company has during the year complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except that (i) Independent Non-executive Directors have not been appointed for any specific terms, however, they are subject to retirement and eligible for re-election in Annual General Meeting in accordance with the Bye-Laws of the Company; and (ii) Mr. Cheng Chung Hing assumes both the roles of the Chairman and Chief Executive Officer of the Group.

On behalf of the Board

Cheng Chung Hing
Chairman

Hong Kong, June 26, 2008

Report of the Independent Auditors

Grant Thornton
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Member of Grant Thornton International Ltd

To the members of

Man Sang International Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements of Man Sang International Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 59 to 126, which comprise the consolidated and the Company's balance sheet as at March 31, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

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, in accordance with Section 90 of the Bermuda Companies Act, 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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.

Report of the Independent Auditors

Grant Thornton
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Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at March 31, 2008 and of its profit and cash flows 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

June 26, 2008

Consolidated Income Statement

For the year ended March 31, 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Revenue	7	**640,493**	402,504
Cost of sales		**(363,483)**	(285,580)
Gross profit		**277,010**	116,924
Investment income	9	**18,233**	10,825
Other operating income	10	**6,854**	24,025
Selling expenses		**(24,172)**	(8,479)
Administrative expenses		**(95,600)**	(78,815)
Other operating expenses	11	**(47,302)**	—
Increase in fair value of investment properties		**454,914**	1,957
Net unrealized gain on financial assets at fair value through profit or loss		**613**	728
Profit before taxation	12	**590,550**	67,165
Taxation	14	**(186,921)**	(7,214)
Profit for the year	15	**403,629**	59,951
Attributable to:			
Equity shareholders		**232,375**	59,951
Minority interests		**171,254**	—
		403,629	59,951
Dividend	16	**36,742**	36,112
Earnings per share	17		
Basic		**20.22 cents**	5.99 cents
Diluted		**19.53 cents**	5.88 cents

Consolidated Balance Sheet

At March 31, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	18	**952,867**	96,820
Properties under development	19	**123,768**	—
Property, plant and equipment	20	**121,530**	109,104
Prepaid land lease payments	21	**30,502**	31,266
Interest in an associate	22	**105**	86,587
Deferred tax assets	25	**175**	4,071
		1,228,947	327,848
Current assets			
Inventories	26	**49,395**	46,195
Completed properties held for sale	27	**182,426**	—
Trade and other receivables	28	**253,146**	69,237
Financial assets at fair value through profit or loss	29	**5,411**	8,350
Tax receivable		**5,172**	1,620
Cash and cash equivalents	30	**587,602**	296,426
		1,083,152	421,828
Current liabilities			
Trade and other payables	31	**462,233**	39,872
Taxation		**71,266**	154
Bank borrowings (secured) — current portion	32	**33,300**	—
		566,799	40,026
Net current assets		**516,353**	381,802
Total assets less current liabilities		**1,745,300**	709,650
Non-current liabilities			
Due to an immediate holding company	33	**2,352**	17,916
Deferred tax liabilities	25	**150,807**	12,690
Bank borrowings (secured)	32	**166,500**	—
		319,659	30,606
Net assets		**1,425,641**	679,044

Consolidated Balance Sheet

At March 31, 2008

	Note	**2008 HK$'000**	2007 HK$'000
Capital and reserves			
Share capital	34	**122,474**	100,374
Reserves		**1,062,057**	542,558
Proposed final dividend		**36,742**	36,112
		1,098,799	578,670
Total equity attributable to equity shareholders		**1,221,273**	679,044
Minority interests		**204,368**	—
Total equity		**1,425,641**	679,044

The financial statements on pages 59 to 126 were approved and authorized for issue by the Board of Directors on June 26, 2008 and are signed on its behalf by:

Cheng Chung Hing
Executive Director

Cheng Tai Po
Executive Director

Balance Sheet

At March 31, 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Interest in subsidiaries	24	**600,261**	357,826
Deferred tax assets	25	**9**	9
		600,270	357,835
Current assets			
Other receivables		**301**	317
Financial assets at fair value through profit or loss	29	**5,411**	8,350
Tax receivable		**438**	364
Cash and cash equivalents	30	**22,057**	379
		28,207	9,410
Current liability			
Other payables		**550**	436
Net current assets		**27,657**	8,974
Total assets less current liability		**627,927**	366,809
Non-current liability			
Due to an immediate holding company	33	**6,284**	—
Net assets		**621,643**	366,809
Capital and reserves			
Share capital	34	**122,474**	100,374
Reserves		**462,427**	230,323
Proposed final dividend		**36,742**	36,112
	36	**499,169**	266,435
		621,643	366,809

The financial statements on pages 59 to 126 were approved and authorized for issue by the Board of Directors on June 26, 2008 and are signed on its behalf by:

Cheng Chung Hing
Executive Director

Cheng Tai Po
Executive Director

Consolidated Statement of Changes in Equity

For the year ended March 31, 2008

	Share capital	**Share premium**	**Other non-distributable reserve**	**Share option reserve**	**Other property revaluation reserve**	**Translation reserve**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group								
Balance at April 1, 2006	100,074	50,841	1,801	—	33,751	6,265	415,693	608,425
Revaluation gain on leasehold land and buildings	—	—	—	—	4,583	—	—	4,583
Deferred tax liabilities arising from revaluation gain of leasehold land and buildings	—	—	—	—	(806)	—	—	(806)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	815	—	815
Net income recognized directly in equity	—	—	—	—	3,777	815	—	4,592
Profit for the year	—	—	—	—	—	—	59,951	59,951
Total recognized income and expense for the year	—	—	—	—	3,777	815	59,951	64,543
Release on depreciation of leasehold land and buildings	—	—	—	—	(1,061)	—	1,061	—
Issue of new shares upon exercise of share options	300	676	—	(217)	—	—	—	759
Share options granted	—	—	—	5,317	—	—	—	5,317
Share options lapsed	—	—	—	(722)	—	—	722	—
Balance at March 31, 2007	100,374	51,517	1,801	4,378	36,467	7,080	477,427	679,044

Consolidated Statement of Changes in Equity

For the year ended March 31, 2008

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Other non-distributable reserve** (Note a)	**Share option reserve**	**Other property revaluation reserve**	**Translation reserve**	**General reserve** (Note b)	**Retained profits** (Note c)	**Total**	**Minority interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at April 1, 2007	100,374	51,517	1,801	4,378	36,467	7,080	—	477,427	679,044	—	679,044
Revaluation gain of leasehold land and building	—	—	—	—	60,551	—	—	—	60,551	43,248	103,799
Deferred tax liability arising from revaluation gain of leasehold land and building	—	—	—	—	(19,308)	—	—	—	(19,308)	(14,272)	(33,580)
Effect of change in tax rates for deferred tax	—	—	—	—	4,165	—	—	—	4,165	3,524	7,689
Exchange difference arising from translation of financial statements of overseas operation	—	—	—	—	—	19,833	—	—	19,833	10,656	30,489
Net income recognised directly in equity	—	—	—	—	45,408	19,833	—	—	65,241	43,156	108,397
Profit for the year	—	—	—	—	—	—	—	232,375	232,375	171,254	403,629
Total recognised income and expenses for the year	—	—	—	—	45,408	19,833	—	232,375	297,616	214,410	512,026

Consolidated Statement of Changes in Equity

For the year ended March 31, 2008

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Other non-distributable reserve** (Note a)	**Share option reserve**	**Other property revaluation reserve**	**Translation reserve**	**General reserve** (Note b)	**Retained profits** (Note c)	**Total**	**Minority interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Share of accumulated losses of the associate upon acquisition of subsidiaries	—	—	—	—	—	—	—	(10,935)	(10,935)	(10,042)	(20,977)
Release on depreciation of leasehold land and buildings	—	—	—	—	(884)	—	—	884	—	—	—
Issue of new shares	22,100	268,270	—	—	—	—	—	—	290,370	—	290,370
Share-based payments	—	—	—	1,290	—	—	—	—	1,290	—	1,290
2007 final dividend paid	—	—	—	—	—	—	(36,112)	—	(36,112)	—	(36,112)
Transferred to retained profits upon disposal of the properties	—	—	—	—	(4,039)	—	—	4,039	—	—	—
Balance at March 31, 2008 (Note d)	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)	703,790	1,221,273	204,368	1,425,641

Note:

(a) Other non-distributable reserve was arising from the transactions under corporate reorganization in 1997.

(b) General reserve represents the dividends paid out of the contributed surplus by the Company.

(c) The Group's retained profits included an amount of HK$9,852,000 (2007: HK$9,852,000) reserved by the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

(d) A proposed final dividend of HK$36,742,000 was included in the balance at March 31, 2008.

Consolidated Cash Flow Statement

For the year ended March 31, 2008

	2008 **HK$'000**	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**590,550**	67,165
Adjustments for:		
Interest income	**(17,297)**	(8,989)
Depreciation of property, plant and equipment	**9,474**	7,017
Amortization of prepaid land lease payments	**764**	764
Share of loss of an associate	**7**	—
Share-based payments	**1,290**	5,317
Increase in fair value on investment properties	**(454,914)**	(1,957)
Gain on disposal of an investment property	**(5,600)**	—
Revaluation gain on buildings	**(77)**	(182)
(Gain) Loss on disposals of property, plant and equipment	**(30)**	399
Net unrealized gain on financial assets at fair value through profit or loss	**(613)**	(728)
Gain on disposals of financial assets at fair value through profit or loss	**(685)**	(1,467)
Dividends received	**(251)**	(369)
(Recovery of) allowance for bad and doubtful debts	**(5,303)**	1,551
Impairment loss on goodwill	**47,295**	—
Operating cash flows before movements in working capital	**164,610**	68,521
(Increase) decrease in inventories	**(2,153)**	10,182
Decrease in completed properties held for sales	**64,435**	—
Increase in trade and other receivables	**(118,874)**	(12,207)
Increase in trade and other payables	**230,792**	6,374
Cash generated from operations	**338,810**	72,870
Hong Kong Profits Tax paid	**(7,047)**	(4,727)
Hong Kong Profits Tax refunded	**818**	131
Overseas tax paid	**(145)**	(586)
Net cash from operating activities	**332,436**	67,688

Consolidated Cash Flow Statement

For the year ended March 31, 2008

	Note	**2008** **HK$'000**	2007 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	37	**85,291**	—
Purchases of property, plant and equipment		**(7,333)**	(8,893)
Additions for properties under development		**(465,695)**	—
Proceeds from disposal of an investment property		**25,000**	—
Purchases of financial assets at fair value through profit or loss		**(13)**	—
Proceeds from disposals of property, plant and equipment		**32**	268
Proceeds from disposals of financial assets at fair value through profit or loss		**4,250**	9,405
Advance to an associate		**—**	(84,895)
Investment cost in an associate		**(112)**	—
Dividends received		**251**	369
Interest received		**17,297**	8,989
Net cash used in investing activities		**(341,032)**	(74,757)
FINANCING ACTIVITIES			
Issue of new shares		**290,370**	759
Proceeds from bank borrowings		**66,600**	—
Repayment of bank borrowings		**(22,200)**	—
(Decrease) Increase in advance from an immediate holding company		**(15,564)**	15,821
Dividend paid		**(36,112)**	—
Net cash generated from financing activities		**283,094**	16,580
Net increase in cash and cash equivalents		**274,498**	9,511
Cash and cash equivalents at beginning of year		**296,426**	286,580
Effect of foreign exchange rate changes		**16,678**	335
Cash and cash equivalents at end of year	30	**587,602**	296,426

Notes to the Financial Statements

For the year ended March 31, 2008

1. General Information

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and other corporate information are set out on page 2 of this annual report. The Company's immediate holding company is Man Sang International (B.V.I.) Limited and its ultimate holding company is Cafoong Limited, a company which is incorporated in the British Virgin Islands. The shares of the Company's intermediate holding company, Man Sang Holdings, Inc., are listed on the American Stock Exchange, the United States.

The Company acts as an investment holding company. Firstly, the pearls and jewelry segment which includes purchasing, processing, assembling, merchandising and wholesale distribution of pearls, pearl and non-pearl jewelry products. Secondly, the property developments and investments segment which includes development, sales and leasing of properties.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are generally first effective for accounting periods beginning on or after January 1, 2007. Details of major changes in accounting policies following the adoption of these HKFRSs are summarized in note 3 to the financial statements.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, investment properties, leasehold land and buildings, which are stated at fair value.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or 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.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

(d) Subsidiaries

A subsidiary is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiaries is included in the Company's balance sheet at cost less impairment losses. The carrying amount of investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(e) Goodwill (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods. On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current Assets Held For Sale and Discontinued Operations") or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 "Financial instruments: recognition and measurement"). Under the equity method, 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 any identified impairment loss. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

(g) Investment properties

Investment properties are land and/or buildings that are held to earn rental income and/or for capital appreciation, which include property interest held under operating lease carries at fair value.

Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognized in the income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(g) Investment properties (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

The fair value of investment properties is based on valuation by an independent valuer who holds a recognized professional qualification and has recent experience in the location and category of property being valued. Fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

(h) Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

The leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and 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 is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the other property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(h) Property, plant and equipment (Continued)

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use and is continued to account for as if it was an asset held under finance lease. The entire lease payment of leasehold land and buildings are included in the cost of land and buildings as a finance lease in property, plant and equipment and stated at revalued amount.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	25%–33%
Plant and machinery	20%–25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(i) Properties under development

Properties under development for investment properties are carried at cost less any identified impairment losses. Costs comprise construction costs, borrowing costs capitalised, amortisation of land use rights and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale or investment properties.

(j) Completed properties held for sale

Completed properties remaining unsold at the end of the year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(k) Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire medium-term interests in lessee-occupied properties. The payments are stated at cost and are amortized over the period of the lease on a straight-line basis to the income statement.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(l) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity 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 or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and 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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and 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 trade receivables, loan receivables, other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 financial assets have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in consolidated income statement of the period in which the reversal occurs.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Financial liabilities and equity (Continued)

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. 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 collateralized borrowing for the proceeds received.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(m) Impairment (other than goodwill and financial 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. In addition, 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 they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

(n) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(q) Revenue recognition

I. Revenue from sales of properties

Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as trade and other payables under current liabilities.

II. Revenue from sales of goods

Sale of goods is recognized on transfer of risks and rewards of ownership, which generally coincides with time when the goods are delivered to customers and title has passed.

III. Revenue from leasing of investment properties

Rental income under operating leases is recognized in the period in which the properties are let out and on a straight-line basis over the term of the relevant lease.

IV. Others

Service income is recognized in the period when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the rights to receive payments have been established.

(r) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(r) Segment reporting (Continued)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

(s) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Company at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms have not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(t) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

(u) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense 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.

Notes to the Financial Statements

For the year ended March 31, 2008

2. Significant Accounting Policies (Continued)

(u) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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 is calculated at the tax rates that are expected to apply in the period when 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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(v) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are recognized as expense and revenue on the straight-line basis over the lease terms.

(w) Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as expense as they fall due.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

For the year ended March 31, 2008

3. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to the Group and effective for the Group's financial year beginning on April 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of the new HKFRSs has resulted in the following areas:

In accordance with HKAS 1 (Amendment) "Capital Disclosures", the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 5 to the consolidated financial statements.

HKFRS 7 "Financial Instruments: Disclosures" is mandatory for reporting periods beginning on January 1, 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 "Financial Instruments: Presentation and Disclosures" and has been adopted by the Group in its consolidated financial statements for the year ended December 31, 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements.

The first-time application of HKAS 1 and HKFRS 7, however, has not resulted in any prior-year adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior years are required.

The Group has not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
Amendments to HKAS 1 (Revised)	Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 32	Financial instruments: presentation — Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 39	Financial instruments: recognition and measurement — Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKFRS 7	Financial instruments: disclosures — Puttable financial instruments and obligations arising on liquidation[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction[3]
Amendments to HK(IFRIC)-Int 2	Members' shares in co-operative entities and similar instruments[1]

Notes to the Financial Statements

For the year ended March 31, 2008

3. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 January 2008.

4 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company are currently assessing the impact of the HKFRS but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting years

The followings are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the balance sheet date.

Notes to the Financial Statements

For the year ended March 31, 2008

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

I. Fair value of leasehold land and buildings, and investment properties

The leasehold land and buildings, and investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 2(h) and 2(g) respectively. The fair value of the leasehold land and buildings, and the investment properties are determined by an independent professional valuers, BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, and the fair value of the leasehold land and buildings, and investment properties are set out in notes 20 and 18 to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results.

In making the judgment, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

II. Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventories are shown at the lower of cost and net realizable value.

III. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment loss may arise. During the year, management determined that goodwill has impaired and such impairment has been recognised in the consolidated income statement. Details of the goodwill movement are provided in note 23.

Notes to the Financial Statements

For the year ended March 31, 2008

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the bank borrowings and equity balances.

The capital structure of the Group consists of bank borrowings as disclosed in the note 32, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued share capital and reserves.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers costs of capital, its bank covenant obligations and the risks associated with issued share capital and will balance its overall capital structure through the drawn down of bank borrowings, the repayment of existing bank borrowings, the adjustment of dividends paid to shareholders and the issue of new shares.

The management of the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by shareholders' equity. Net borrowings is calculated as total bank borrowings less bank balances and cash. The gearing ratios as at March 31, 2008 and 2007 were as follows:

	2008 **HK$'000**	2007 HK$'000
Shareholders' equity	**1,221,273**	679,044
Bank borrowings	**199,800**	—
Cash and cash equivalents	**587,602**	296,426
Net borrowings	**(387,802)**	(296,426)
Gearing ratio	**—**	—
Bank borrowings		
Current portion	**33,300**	—
Non-current portion	**166,500**	—
	199,800	—

The Group aims to maintain the gearing ratio at the reasonable level. The increase of the bank borrowings is due to an acquisition of subsidiaries during the year.

Notes to the Financial Statements

For the year ended March 31, 2008

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, amounts due from associates, cash and cash equivalents, bank borrowings, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments, include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to different risks arising from the use of financial instruments. Generally, the Group employs conservative strategies regarding its risk management. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(A) Market risk

(i) Currency risk

The Group's foreign currency assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and United State Dollars ("US$"). The Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the group entities. The Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Most of the Group's business transactions including sales and purchases are denominated in Hong Kong dollars and United States dollars, in which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged.

Moreover, the Group is exposed to RMB. The following table details the Group's sensitivity analysis to the fluctuation in HKD/RMB exchange rate. The analysis assumes a 10% increase and decrease in RMB against the HK$, with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next annual balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive/negative number below indicates an increase/decrease in profit after taxation and accumulated profits where HK$ strengthens 10% against the RMB. For a 10% weakening of HK$ against RMB, there would be an equal and opposite impact on the profit after taxation and accumulated profits, and the balances below would be negative. This is mainly attributable to the exposure outstanding on RMB receivables, payables and bank borrowings at year end in the Group.

Notes to the Financial Statements

For the year ended March 31, 2008

6. Financial Risk Management Objectives and Policies (Continued)

(A) Market risk (Continued)

(i) Currency risk (Continued)

At the balance sheet date, RMB denominated financial assets and liabilities, translated into HK$ at the rates, are as follows:

	2008 Totals HK$'000	2007 Totals HK$'000
Financial Assets	**314,245**	19,855
Financial Liabilities	**(574,544)**	(4,857)
Net Exposure	**(260,299)**	14,998
Increase/(Decrease) in profit after taxation	**26,030**	(1,500)

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to bank deposits and variable-rate bank borrowings (see note 32 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's interest rate risk is mainly concentrated on the fluctuation of market interest rates arising from the Group's borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year and the assumed change in interest rate exists throughout the year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the 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 the year ended March 31, 2007.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended March 31, 2008 and accumulated profits as at March 31, 2008 would increase or decrease by approximately HK$1,998,000. No impact was noted for the accumulated profits as at March 31, 2007 due to no bank borrowings.

Notes to the Financial Statements

For the year ended March 31, 2008

6. Financial Risk Management Objectives and Policies (Continued)

(A) Market risk (Continued)

(iii) Price risk

Certain of the Group's financial assets at fair value through profit or loss are investments in listed equity securities and measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The management manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. A 10% change is used when reporting the price risk internally to the management. If the price of the respective equity instruments had been 10% higher/lower, the net unrealized gain on financial assets at fair value through profit or loss, profit after taxation for the year ended March 31, 2008 and accumulated profits as at March 31, 2008 will increase or decrease by approximately HK$541,000 *(2007: HK$835,000)* as a result of the changes in fair value of financial assets at fair value through profit or loss.

(B) Credit risk

As at March 31, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated below:

	2008	2007
	HK$'000	HK$'000
Trade receivables	**165,436**	56,921
Cash and cash equivalents	**587,602**	296,426
	753,038	353,347

Before accepting any new customer, where available at reasonable cost, the Group uses an external credit rating companies to assess the potential customer's credit and defines credit limits by customer. Credit limits attributed to customers are reviewed periodically.

In order to minimise the credit risk, the management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 10% *(2007: 43%)* and 33% *(2007: 58%)* of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the pearls and jewelry segment and property development and investment segment. However, these customers are industry leaders or multinational customers with solid financial background and with good creditability, the management considers there is no significant credit risk.

Notes to the Financial Statements

For the year ended March 31, 2008

6. Financial Risk Management Objectives and Policies (Continued)

(B) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(C) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at March 31, 2008 and 2007, the Group's financial liabilities have contractual maturities or the earliest date the Group may be required to pay which are summarised below:

	2008			2007		
	Current	**Non-current**	**Non-current**	Current	Non-current	Non-current
	Within one year	**After one but within two years**	**After two but within five years**	Within one year	After one but within two years	After two but within five years
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Trade and other payables	**238,228**	**—**	**—**	19,776	—	—
Bank borrowings (secured)	**33,300**	**66,600**	**99,900**	—	—	—
	271,528	**66,600**	**99,900**	19,776	—	—

The amounts disclosed in the table are the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Notes to the Financial Statements

For the year ended March 31, 2008

6. Financial Risk Management Objectives and Policies (Continued)

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at March 31, 2008 and 2007 may be categorized as follows. See note 2 for explanations about how the category of financial instruments affects their subsequent measurement.

	2008 HK$'000	2007 HK$'000
Non-current assets		
Loans and receivables:		
Amount due from an associate	—	86,587
	—	86,587
Currents assets		
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss — Trading Securities	**5,411**	8,350
Loans and receivables:		
Trade receivables	**165,436**	56,921
Cash and cash equivalents	**587,602**	296,426
	758,449	361,697
Current liabilities		
Financial liabilities measured at amortized cost:		
Trade and other payables	**238,228**	19,776
Bank borrowings (secured)		
— current portion	**33,300**	—
	271,528	19,776
Non-current liabilities		
Financial liabilities measured at amortized cost:		
Due to an immediate holding company	**2,352**	17,916
Bank borrowings (secured)		
— non-current portion	**166,500**	—
	168,852	17,916

Notes to the Financial Statements

For the year ended March 31, 2008

7. Revenue

Revenue represents (i) the net amounts received and receivable in respect of goods sold, less returns and allowances, by the Group to outside customers during the year and (ii) the aggregate of gross proceeds from the sale of properties during the year and (iii) the gross amounts received and receivable in respect of leasing of investment properties during the year.

8. Business and Geographical Segments

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format.

For management purposes, the Group is currently organized into two operating segments — (i) pearls and jewelry, (ii) and property development and investment. These following segments are the basis on which the Group reports its primary segment information:

Pearls and jewelry — Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products.

Property development and investment — Development, sales and leasing of properties.

Segment information about these businesses is presented below:

Income statement for the year ended March 31, 2008

	Pearls and jewelry HK$'000	Property Development and investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals	**405,444**	**235,049**	**640,493**
Results			
Segment results	**50,817**	**528,874**	**579,691**
Unallocated other operating income and investment income			**18,923**
Unallocated corporate expense			**(8,064)**
Profit before taxation			**590,550**
Taxation			**(186,921)**
Profit for the year			**403,629**

Notes to the Financial Statements

For the year ended March 31, 2008

8. Business and Geographical Segments (Continued)

Balance sheet as at March 31, 2008

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Non-current assets				
Investment properties	—	952,867	—	952,867
Properties under development	—	123,768	—	123,768
Interest in an associate	—	105	—	105
Other non-current assets	83,975	33,440	34,792	152,207
Totals of non-current assets	83,975	1,110,180	34,792	1,228,947
Current assets	563,511	491,331	28,310	1,083,152
Consolidated total assets	647,486	1,601,511	63,102	2,312,099
Non-current liabilities	—	—	319,659	319,659
Current liabilities	36,697	424,971	105,131	566,799
Consolidated total liabilities	36,697	424,971	424,790	886,458

Other information for the year ended March 31, 2008

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Capital additions	6,881	466,147	—	473,028
Depreciation of property, plant and equipment	7,268	2,099	107	9,474
Amortization of prepaid land lease payments	—	8	756	764
Recovery of bad and doubtful debts	(5,303)	—	—	(5,303)
Increase in fair value of investment properties	—	454,914	—	454,914
Revaluation gain on buildings	—	—	77	77
Net unrealized gain on financial assets at fair value through profit or loss	—	—	613	613

Notes to the Financial Statements

For the year ended March 31, 2008

8. Business and Geographical Segments (Continued)

Income statement for the year ended March 31, 2007

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals			
— included in revenue	398,279	4,225	402,504
— included in other operating income (Note)	22,461	—	22,461
	420,740	4,225	424,965
Results			
Segment results	62,164	(101)	62,063
Unallocated other operating income and investment income			13,562
Unallocated corporate expense			(8,460)
Profit before taxation			67,165
Taxation			(7,214)
Profit for the year			59,951

Note: During the year, the directors considered the market conditions and decided to withdraw from certain categories of products. As such, the Group disposed of all inventories relating to this category of products for a total of HK$22,461,000. These inventories had been fully written down in the previous years.

Notes to the Financial Statements

For the year ended March 31, 2008

8. Business and Geographical Segments (Continued)

Balance sheet as at March 31, 2007

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Non-current assets				
Investment properties	—	96,820	—	96,820
Interest in an associate	86,587	—	—	86,587
Other non-current assets	75,359	29,609	39,473	144,441
Totals of non-current assets	161,946	126,429	39,473	327,848
Current assets	397,124	14,035	10,669	421,828
Consolidated total assets	559,070	140,464	50,142	749,676
Non-current liabilities	—	—	30,606	30,606
Current liabilities	37,666	1,819	541	40,026
Consolidated total liabilities	37,666	1,819	31,147	70,632

Notes to the Financial Statements

For the year ended March 31, 2008

8. Business and Geographical Segments (Continued)

Other information for the year ended March 31, 2007

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Capital additions	8,893	—	—	8,893
Depreciation of property, plant and equipment	6,914	—	103	7,017
Amortization of prepaid land lease payments	—	8	756	764
Allowance for bad and doubtful debts	1,551	—	—	1,551
Increase in fair value of investment properties	—	1,957	—	1,957
Revaluation gain on buildings	—	—	182	182
Net unrealized gain on financial assets at fair value through profit or loss	—	—	728	728

Notes to the Financial Statements

For the year ended March 31, 2008

8. Business and Geographical Segments (Continued)

Geographical segments

The Group's operations are located in the PRC including Hong Kong.

The following table provides an analysis of the Group's revenue and profit from operations by geographical market, irrespective of the origin of the goods or rentals:

	Revenue		**Segment results**	
	Year ended March 31, 2008 HK$'000	Year ended March 31, 2007 HK$'000	**Year ended March 31, 2008 HK$'000**	Year ended March 31, 2007 HK$'000
Hong Kong	**27,433**	30,589	**14,676**	3,927
North America	**104,185**	114,076	**13,073**	11,213
Europe	**168,616**	155,015	**21,467**	14,027
PRC (excluding Hong Kong)	**249,650**	18,168	**519,315**	1,675
Other Asian countries	**63,729**	64,700	**7,778**	6,846
Others	**26,880**	19,956	**3,382**	1,914
	640,493	402,504	**579,691**	39,602
Unallocated other operating income			**18,923**	36,023
Unallocated corporate expenses			**(8,064)**	(8,460)
Profit before taxation			**590,550**	67,165

The following is an analysis of the carrying amount of segment assets and capital additions, analyzed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital additions**	
	Year ended March 31, 2008 HK$'000	Year ended March 31, 2007 HK$'000	**Year ended March 31, 2008 HK$'000**	Year ended March 31, 2007 HK$'000
Hong Kong	**700,555**	511,231	**3,749**	5,752
PRC (excluding Hong Kong)	**1,606,197**	232,754	**469,279**	3,141
	2,306,752	743,985	**473,028**	8,893

Notes to the Financial Statements

For the year ended March 31, 2008

9. Investment Income

	2008 HK$'000	2007 HK$'000
Interest income on financial assets stated at amortised cost	**17,297**	8,989
Dividends received from financial assets at fair value through profit or loss	**251**	369
Gain on disposals of financial assets at fair value through profit or loss	**685**	1,467
	18,233	10,825

10. Other Operating Income

	2008 HK$'000	2007 HK$'000
Sale of obsolete inventories	**—**	22,461
Gain on disposals of property, plant and equipment	**30**	183
Gain on disposal of an investment property	**5,600**	—
Revaluation gain on buildings	**77**	182
Others	**1,147**	1,199
	6,854	24,025

11. Other Operating Expenses

	2008 HK$'000	2007 HK$'000
Impairment loss on goodwill	**47,295**	—
Share of loss of an associate	**7**	—
	47,302	—

Notes to the Financial Statements

For the year ended March 31, 2008

12. Profit Before Taxation

Profit before taxation has been arrived at after charging/(crediting):

(a) Staff costs (including directors' emoluments):

	2008 HK$'000	2007 HK$'000
Salaries, wages and other benefits	**54,998**	46,782
Contributions to defined contribution retirement plans	**1,524**	1,364
Share-based payments	**1,290**	5,317
	57,812	53,463

(b) Other items

	2008 HK$'000	2007 HK$'000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**16,608**	—
Less: Amount capitalised	**(16,608)**	—
	—	—
(Recovery of) Allowance for bad and doubtful debts	**(5,303)**	1,551
Auditors' remuneration	**1,356**	852
Costs of inventories and completed properties for sales	**363,483**	285,580
Inventories written off	**19,386**	7,327
Depreciation of property, plant and equipment	**9,474**	7,017
Amortization of prepaid land lease payments	**764**	764
Loss on disposals of property, plant and equipment	**—**	399
Operating lease charges:		
Hire of motor vehicle	**209**	229
Premises	**8,581**	3,334
Rental income from investment properties under operating leases (net of outgoings of HK$171,000 *(2007: HK$299,000)*)	**(6,631)**	(3,926)

Notes to the Financial Statements

For the year ended March 31, 2008

13. Directors' and Employees' Remuneration

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' remuneration

	Fees	Salaries and other allowances	Performance related incentive payment	Retirement benefit contributions	Approximate ratable value of a property for accommodation	Share-based payments	2008 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive:							
Mr. Cheng Chung Hing	—	3,000	—	12	1,485	—	4,497
Mr. Cheng Tai Po	—	3,600	—	12	50	—	3,662
Ms. Yan Sau Man, Amy	—	1,800	1,600	12	—	—	3,412
Independent non-executive:							
Mr. Lee Kang Bor, Thomas	170	—	—	—	—	—	170
Mr. Lau Chi Wah, Alex	150	—	—	—	—	—	150
Mr. Kiu Wai Ming, Kenneth	170	—	—	—	—	—	170
	490	8,400	1,600	36	1,535	—	12,061

	Fees	Salaries and other allowances	Performance related incentive payment	Retirement benefit contributions	Approximate ratable value of a property for accommodation	Share-based payments	2007 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive:							
Mr. Cheng Chung Hing	—	3,000	—	12	1,188	72	4,272
Mr. Cheng Tai Po	—	3,000	600	12	63	72	3,747
Ms. Yan Sau Man, Amy	—	1,650	1,600	12	—	722	3,984
Independent non-executive:							
Mr. Lee Kang Bor, Thomas	144	—	—	—	—	—	144
Mr. Lau Chi Wah, Alex	120	—	—	—	—	—	120
Mr. Kiu Wai Ming, Kenneth	120	—	—	—	—	—	120
	384	7,650	2,200	36	1,251	866	12,387

Notes to the Financial Statements

For the year ended March 31, 2008

13. Directors' and Employees' Remuneration (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three *(2007: three)* were directors of the Company whose emoluments are set out in note 13(a) above. The emoluments of the remaining two *(2007: two)* individuals are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other allowances	**2,746**	1,391
Retirement benefits contributions	**22**	6
Share-based payments	**1,290**	815
	4,058	2,212

Their emoluments of the two are within the following bands:

	No. of employees	
	2008	2007
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**—**	1
HK$3,000,001 to HK$4,000,000	**1**	—

During the years ended March 31, 2008 and 2007, no emoluments were paid by the Group to the five highest paid individuals, including directors, as inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended March 31, 2008 and 2007, no director waived any emoluments.

Notes to the Financial Statements

For the year ended March 31, 2008

14. Taxation

	2008	2007
	HK$'000	HK$'000
Current income tax:		
Hong Kong Profits tax	**1,515**	4,438
PRC Enterprise income tax	**14,874**	258
Land appreciation tax	**53,257**	—
	69,646	4,696
Under provision in prior year:		
Hong Kong	**1,153**	10
PRC	**—**	461
	1,153	471
Deferred income tax:		
Charge to current year	**118,905**	2,047
Credit to current year	**(3,673)**	—
Attributable to change in tax rate	**890**	—
	116,122	2,047
	186,921	7,214

On March 16, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued the Implementation Regulations of the New Law which changed the tax rates either from 33% to 25%, or from 15% to 18% for certain subsidiaries from January 1, 2008.

Hong Kong Profits Tax is calculated at a rate of 17.5% of the estimated assessable profit for both years.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property expenditures.

Notes to the Financial Statements

For the year ended March 31, 2008

14. Taxation (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008	2007
	HK$'000	HK$'000
Profit before taxation	**590,550**	67,165
Tax at the domestic income tax rate of 17.5% *(2007: 17.5%)*	**103,346**	11,754
Effect of different tax rates of subsidiaries operating in other jurisdictions	**37,368**	153
Tax effect of land appreciation tax	**(9,320)**	—
Tax effect of change in tax rate	**890**	—
Tax effect of expenses that are not deductible in determining taxable profit	**3,428**	954
Tax effect of income that is not taxable in determining taxable profit	**(4,632)**	(7,734)
Tax effect of utilization of tax loss not previously recognized	**(561)**	(362)
Tax effect of recognition of temporary difference not previously recognized	**1,847**	1,786
Tax effect of additional tax loss not recognized	**77**	79
Under provision in prior year	**1,153**	471
Others	**68**	113
	133,664	7,214
Land appreciation tax	**53,257**	—
Tax expense for the year	**186,921**	7,214

Details of the deferred taxation are set out in note 25 to the financial statements.

15. Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$714,000 *(2007: HK$2,800,000)* which has been dealt with in the financial statements of the Company.

16. Dividend

	2008	2007
	HK$'000	HK$'000
Proposed final dividend — HK3 cents per share *(2007: HK3 cents per share)*	**36,742**	36,112

A final dividend of HK3 cents *(2007: HK3 cents)* per share has been recommended by the directors after the balance sheet date and is subject to approval by the shareholders at the forthcoming annual general meeting.

Notes to the Financial Statements

For the year ended March 31, 2008

17. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders for the year of HK$232,375,000 *(2007: HK$59,951,000)* and on the weighted average number of 1,149,011,000 *(2007: 1,001,233,000)* shares in issue during the year.

Diluted earnings per share for the year ended March 31, 2008 is calculated based on the profit attributable to equity shareholders for the year of HK$232,375,000 *(2007: HK$59,951,000)* and on the adjusted weighted average number of 1,189,772,000 shares *(2007: 1,019,602,000 shares)* which is the weighted average number of shares in issue during the year used in the computation of basic earnings per share plus the weighted average number of 40,761,000 shares *(2007: 18,369,000 shares)* deemed to be issued at no consideration if all outstanding options had been exercised.

18. Investment Properties

	The Group	
	2008	2007
	HK$'000	HK$'000
At fair value		
At beginning of year	**96,820**	94,863
Currency realignment	**15,533**	—
Disposal during the year	**(19,400)**	—
Transferred from properties under development	**405,000**	—
Increase in fair value	**454,914**	1,957
At end of year	**952,867**	96,820

The Group's investment properties at March 31, 2008 were revalued by BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, independent firms of professional property valuers, on market value basis, at HK$952,867,000 *(2007: HK$96,820,000)*. The increase in fair value of the investment properties of HK$454,914,000 *(2007: HK$1,957,000)* has been credited to the income statement.

The majority of the Group's investment properties are rented out under operating leases.

The carrying value of investment properties shown above comprises:

	The Group	
	2008	2007
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under long leases	**18,740**	32,820
Land and buildings situated in the PRC and held under medium-term land use rights	**934,127**	64,000
	952,867	96,820

Notes to the Financial Statements

For the year ended March 31, 2008

19. Properties Under Development

	The Group
	2008
	HK$'000
At beginning of year	—
Currency realignment	**14,933**
Acquired on acquisition of subsidiaries	**295,000**
Additions (including development costs and capitalised expenditure)	**449,087**
Interest capitalized	**16,608**
Transferred to completed properties held for sale	**(246,860)**
Transferred to investment properties	**(405,000)**
At end of year	**123,768**

All the Group's properties under development are located in the PRC and were held under medium-term land use rights.

Notes to the Financial Statements

For the year ended March 31, 2008

20. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group							
Cost or valuation							
At April 1, 2006	59,800	33,984	14,301	17,819	13,326	4,175	143,405
Currency realignment	—	—	254	383	132	110	879
Additions	—	874	2,012	2,802	667	2,538	8,893
Disposals	—	—	(1,278)	(570)	(541)	(1,345)	(3,734)
Revaluation increase (decrease)	3,300	(1,113)	—	—	—	—	2,187
At March 31, 2007	63,100	33,745	15,289	20,434	13,584	5,478	151,630
Currency realignment	—	139	568	936	376	456	2,475
Additions	—	—	3,606	2,052	849	826	7,333
Disposals	—	—	—	—	(82)	(1,396)	(1,478)
Acquired on acquisition of subsidiaries	—	822	—	—	535	1,026	2,383
Revaluation increase	7,100	1,963	—	—	—	—	9,063
At March 31, 2008	**70,200**	**36,669**	**19,463**	**23,422**	**15,262**	**6,390**	**171,406**
Comprising:							
At cost — 2008	**—**	**—**	**19,463**	**23,422**	**15,262**	**6,390**	**64,537**
At valuation — 2008	**70,200**	**36,669**	**—**	**—**	**—**	**—**	**106,869**
	70,200	36,669	19,463	23,422	15,262	6,390	171,406
At cost — 2007	—	—	15,289	20,434	13,584	5,478	54,785
At valuation — 2007	63,100	33,745	—	—	—	—	96,845
	63,100	33,745	15,289	20,434	13,584	5,478	151,630
The Group							
Accumulated depreciation							
At April 1, 2006	—	—	12,967	13,403	10,771	3,208	40,349
Currency realignment	—	—	259	342	122	82	805
Provided for the year	1,459	1,119	713	1,826	1,328	572	7,017
Eliminated on disposals	—	—	(710)	(544)	(510)	(1,303)	(3,067)
Eliminated on revaluation	(1,459)	(1,119)	—	—	—	—	(2,578)
At March 31, 2007	—	—	13,229	15,027	11,711	2,559	42,526
Currency realignment	—	77	632	735	244	234	1,922
Provided for the year	1,578	1,642	1,258	2,334	1,286	1,376	9,474
Eliminated on disposals	—	—	—	—	(80)	(1,396)	(1,476)
Eliminated on revaluation	(1,578)	(992)	—	—	—	—	(2,570)
At March 31, 2008	—	727	15,119	18,096	13,161	2,773	49,876
Net book value							
At March 31, 2008	70,200	35,942	4,344	5,326	2,101	3,617	121,530
At March 31, 2007	63,100	33,745	2,060	5,407	1,873	2,919	109,104

Notes to the Financial Statements

For the year ended March 31, 2008

20. Property, Plant and Equipment (Continued)

The net book value of leasehold land and buildings shown above comprises:

	The Group	
	2008	2007
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under medium-term leases	**74,560**	67,490
Land and buildings situated in the PRC and held under medium-term land use rights	**31,582**	29,355
	106,142	96,845

The Group's leasehold land and buildings at March 31, 2008 were revalued by BMI Appraisals Limited, which is an independent firm of professional property valuers, on market value basis, at HK$106,142,000 *(2007: HK$96,845,000)*. The revaluation increase arising from revaluation of the leasehold land and buildings amounted to HK$11,633,000 *(2007: HK$4,765,000)*, of which HK$11,556,000 *(2007: HK$4,583,000)* has been credited to the other property revaluation reserve and HK$77,000 *(2007: HK$182,000)* has been credited to the income statement.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and impairment losses of HK$53,666,000 *(2007: HK$53,257,000)*.

21. Prepaid Land Lease Payments

	The Group	
	2008	2007
	HK$'000	HK$'000
At beginning of the year	**31,266**	32,030
Amortization	**(764)**	(764)
At end of the year	**30,502**	31,266

	The Group	
	2008	2007
	HK$'000	HK$'000
The net book value are analyzed as follows:		
Situated in Hong Kong held under medium-term leases	**30,256**	31,013
Situated in the PRC held under medium-term land use rights	**246**	253
	30,502	31,266

The cost is amortized over the lease period. The amount to be amortized within the next twelve months after the balance sheet date amounted to HK$764,000 *(2007: HK$764,000)*.

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For the year ended March 31, 2008

22. Interest in an Associate

	The Group	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**112**	—
Share of post-acquisition loss	**(7)**	—
Share of net assets	**105**	—
Due from an associate	**—**	86,587
	105	86,587

The amount due from an associate was unsecured, interest-free and had no fixed repayment terms. The directors considered the carrying amount of the balance due approximates its fair value at the balance sheet date.

As at March 31, 2007, the Group had 49% equity interest (representing 49 ordinary shares of HK$1 each) of China Pearls and Jewellery City Holdings Limited ("CP&J City"), a company engaged in investment holding for the development of the China Pearls and Jewellery City, which is incorporated in Hong Kong.

CP&J City became a subsidiary of the Company upon the acquisition by the Group of an additional 6% equity interest of CP&J City on April 12, 2007. The details are set out in note 37.

As at March 31, 2008, the Group had 20% equity interest of an associate, a company incorporated in the PRC, which was inactive.

Unaudited financial information of the associate for the year ended March 31, 2008 and 2007 was summarized as follows:

	2008	2007
	HK$'000	HK$'000
Assets	**519**	404,225
Liabilities	**—**	(418,890)
Equity	**519**	(14,665)
Group's share of net assets of associate	**105**	—

Notes to the Financial Statements

For the year ended March 31, 2008

22. Interest in an Associate (Continued)

	For the year ended March 31, 2008 HK$'000	For the year ended March 31, 2007 HK$'000
Revenue	—	—
Net loss	(37)	(19,878)
Net loss attributable to the Group (note)	(7)	(9,740)

Note: As at March 31, 2007, the Group did not recognize accumulated losses of HK$10,344,000.

23. Goodwill

	The Group 2008 HK$'000
At beginning of year	—
Arising from acquisition of subsidiaries (Note 37)	47,295
Impairment loss	(47,295)
At end of year	—

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The entire amount of goodwill has been allocated to the properties of CP&J City, property development segment located in the PRC. The management considers such represents a separate CGU for the purpose of goodwill impairment testing. At the balance sheet date, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of CP&J City.

The recoverable amount of the CGU is determined based on the value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 7% per annum in considering the existing economic condition of the market and economic measures on the real estate sector. In addition to the calculation, management referred to the valuation of the properties of CP&J City assessed by DTZ Debenham Tie Leung Limited, independent firms of professional property valuers, on market value basis. Increase in fair value of the properties of CP&J City has been credited to the income statement during the year. Taking into account these latest developments, management believes that the aggregate recoverable amount of this CGU would not exceed its aggregate carrying amount and it resulted in reduction of goodwill associated with this CGU by impairment loss recorded during the year.

Notes to the Financial Statements

For the year ended March 31, 2008

24. Interest in Subsidiaries

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**206,664**	206,664
Due from subsidiaries	**393,597**	151,162
	600,261	357,826

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group pursuant to the corporate reorganization in 1997.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Details of the Company's subsidiaries at March 31, 2008 are set out in note 45 to the financial statements.

25. Deferred Taxation

The followings are the major deferred tax liabilities (assets) recognized by the Group and movements thereon during the current year and prior reporting periods.

	Revaluation of properties	Accelerated tax depreciation	Tax losses	Unrealized profit in inventories	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group						
At April 1, 2006	11,921	109	(589)	(5,675)	—	5,766
Net charge to income statement for the year	565	283	487	712	—	2,047
Net charge to equity for the year	806	—	—	—	—	806
At March 31, 2007	13,292	392	(102)	(4,963)	—	8,619
Net charge (credit) to income statement for the year (Note 14)	110,409	(266)	(486)	3,882	2,583	116,122
Net charge to equity for the year	25,891	—	—	—	—	25,891
At March 31, 2008	**149,592**	**126**	**(588)**	**(1,081)**	**2,583**	**150,632**
The Company						
At March 31, 2007 and 2008	—	—	(9)	—	—	(9)

Notes to the Financial Statements

For the year ended March 31, 2008

25. Deferred Taxation (Continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with conditions set out in HKAS 12. The following is the analysis of the deferred taxation for financial reporting purposes:

	The Group		**The Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	**150,807**	12,690	**—**	—
Deferred tax assets	**(175)**	(4,071)	**(9)**	(9)
	150,632	8,619	**(9)**	(9)

At March 31, 2008, the Group has unused tax losses of HK$10,945,000 *(2007: HK$13,468,000)* available for offset against future profits. A deferred tax asset has been recognized in respect of HK$3,360,000 *(2007: HK$584,000)* of such losses. No deferred tax asset has been recognized in respect to the remaining HK$7,585,000 *(2007: HK$12,884,000)* due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At March 31, 2008, the Group also has deductible temporary differences of HK$21,125,000 *(2007: HK$31,330,000)* attributable to unrealized profit in inventories. A deferred tax asset has been recognized in respect of HK$6,732,000 *(2007: HK31,031,000)* of such deductible temporary differences. No deferred tax asset has been recognized in respect of the remaining HK$14,393,000 *(2007: HK$299,000)* as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

26. Inventories

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**14,418**	17,914
Work in progress	**8,650**	—
Finished goods	**26,327**	28,281
	49,395	46,195

The amount of inventories, included in above, carried at net realisable value is HK$43,651,000 *(2007: HK$34,703,000)*.

27. Completed Properties Held for Sale — The Group

All the Group's properties held for sale are located in the PRC and were held under medium-term land use rights. All the properties held for sale are stated at cost.

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For the year ended March 31, 2008

28. Trade and Other Receivables

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables, net of allowance for doubtful debts	**165,436**	56,921
Deposits, prepayments and other debtors	**87,710**	12,316
	253,146	69,237

The Group allows an average credit period of 60 days to its trade customers. The carrying amounts of the trade and other receivables are considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised.

The Group has provided fully for all receivables that are determined not recoverable unless the Group is of the view that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Based on past experience, the management believed that no impairment allowance is necessary in respect of the remaining balances as there had not been a significant change in credit quality and the balances were considered fully recoverable.

Movement in the allowance for doubtful debts:

	The Group	
	2008	2007
	HK$'000	HK$'000
At beginning of the year	**22,435**	22,264
Impairment losses recognised on receivables	**15,472**	12,502
Amounts written off as uncollectible	**(9)**	(1,380)
Amounts recovered during the year	**(20,775)**	(10,951)
At end of the year	**17,123**	22,435

Notes to the Financial Statements

For the year ended March 31, 2008

28. Trade and Other Receivables (Continued)

Included in trade and other receivables of the Group are trade receivables of HK$165,436,000 *(2007: HK$56,921,000)* and their aging analysis after credit period is as follows:

	2008	2007
	HK$'000	HK$'000
0 – 60 days	**106,569**	55,927
61 – 120 days	**17,980**	994
> 120 days	**40,887**	—
	165,436	56,921

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**57,486**	35,175
0 — 60 days past due	**49,083**	20,752
61 — 120 days past due	**17,980**	994
Over 120 days past due	**40,887**	—
	165,436	56,921

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

Receivables 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 provision is necessary in respect of these balances as there has 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.

29. Financial Assets at Fair Value Through Profit or Loss

	The Group and the Company	
	2008	2007
	HK$'000	HK$'000
Trading securities, at market value:		
Listed equity investments in Hong Kong	**5,411**	8,350

Notes to the Financial Statements

For the year ended March 31, 2008

30. Cash and Cash Equivalents

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**181,504**	43,390	**22,057**	379
Time deposits	**406,098**	253,036	**—**	—
	587,602	296,426	**22,057**	379

Time deposits are made for approximately range from 1 month to 3 months and carry interest at short-term deposit rates which range from 1% to 4% *(2007: 3% to 6%)*.

31. Trade and Other Payables

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade payables	**123,928**	19,776
Loans from minority shareholders	**114,300**	—
Accrued charges and other creditors	**224,005**	20,096
	462,233	39,872

Included in trade and other payables of the Group are trade payables of HK$123,928,000 *(2007: HK$19,776,000)* and their aging analysis after credit period is as follows:

	2008	2007
	HK$'000	HK$'000
0 – 60 days	**119,697**	19,309
61 – 120 days	**3,548**	418
> 120 days	**683**	49
	123,928	19,776

Notes to the Financial Statements

For the year ended March 31, 2008

32. Bank Borrowings

	The Group
	2008
	HK$'000
Secured bank loans	**199,800**

The maturity of the above borrowings is as follows:

	2008
	HK$'000
Within 1 year	**33,300**
More than 1 year but not exceeding 2 years	**66,600**
More than 2 years but not exceeding 5 years	**99,900**
	199,800
Deduct: Amount due within 1 year shown under current liabilities	**(33,300)**
Amount due after 1 year	**166,500**

The carrying amount of bank borrowings approximates its fair values. The bank borrowings are carried at interest rate of approximately ranged from 7% to 8% per annum. At the balance sheet date, the Group has pledged the carrying amount of leasehold land amounting to HK$992,247,000 *(2007: HK$Nil)* to banks to secure the bank borrowings.

33. Due to an Immediate Holding Company — the Group and the Company

The amount due is unsecured, interest-free and has no fixed repayment terms. The immediate holding company agreed that the amount will not be repayable within twelve months from the balance sheet date and accordingly the amount is classified as non-current. The directors consider the carrying amount of the balance due approximates its fair value at the balance sheet date.

Notes to the Financial Statements

For the year ended March 31, 2008

34. Share Capital

	Number of shares		Share capital	
	2008	2007	**2008**	2007
	'000	'000	**HK$'000**	HK$'000
Authorized:				
Shares of HK$0.10 each	**1,500,000**	1,500,000	**150,000**	150,000
Increase in authorized share capital (Note a)	**3,500,000**	—	**350,000**	—
	5,000,000	1,500,000	**500,000**	150,000
Issued and fully paid:				
At beginning of the year	**1,003,740**	1,000,740	**100,374**	100,074
Issue of share on placement (Note b)	**200,000**	—	**20,000**	—
Issue of new shares upon exercise of share options	**21,000**	3,000	**2,100**	300
At end of the year	**1,224,740**	1,003,740	**122,474**	100,374

Notes:

(a) Pursuant to a resolution passed in the annual general meeting of the Company on August 1 2007, the authorized share capital of the Company increased to HK$500,000,000 by the creation of an additional 3,500,000,000 shares of HK$0.10 each of the Company.

(b) On July 10, 2007, the Group allotted and issued 200,000,000 ordinary shares of HK$0.10 each at the price of HK$1.48 as a result of placement to not less than 6 placees.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

For the year ended March 31, 2008

35. Share Option Schemes

(a) On August 2, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the one adopted on September 8, 1997 (the "1997 Scheme").

The purpose of the 2002 Scheme is to provide incentives to the eligible participants to contribute to the Group and to enable the Group to recruit high-caliber employees and attract resources that are valuable to the Group. Under the 2002 Scheme, the board of directors of the Company may grant options to any person being an employee, officer, agent, or consultant of the Group including executive or non-executive directors of the Company and its subsidiaries, to subscribe for shares in the Company at a price to be determined by the board of directors being at least the option of (a) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the shares.

The total number shares in respect of the 2002 Scheme and any other share option schemes of the Group is not permitted to exceed 10% of the number of shares in issue at the date of adoption of the 2002 Scheme or such number of shares as resulted from a sub-division or consolidation of the number of shares at that date. Subject as provided in the 2002 Scheme, the Company may seek approval from its shareholders in general meeting to refresh this 10% limit, but the total number of shares which may be issued under the 2002 Scheme must not exceed 30% of the number of shares in issue from time to time.

No participant shall be granted an option which, if accepted and exercised in full, would result in the participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and which may be issued upon exercise of all options granted and to be granted to him, together with all options granted and to be granted to him under any other share option schemes of the Company and/or any subsidiaries, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options), would exceed 1% of the number of shares in issue as at the proposed date of grant.

The 2002 Scheme shall be valid and effective for a period of 10 years commencing August 2, 2002.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$1 for each grant of options. Subject as provided in the 2002 Scheme, options may be exercised at any time during the option period, which is to be notified by the board of directors to each grantee, commencing on the date of grant or such later date as the board of directors may decide and expiring on such date as the board of directors may determine, provided that such period is not to exceed ten years from the date of grant, and subject to any restrictions that may be imposed by the board of directors in its discretion.

Details of the principal terms of the 2002 Scheme are set out in the circular of the Company dated July 4, 2002.

Notes to the Financial Statements

For the year ended March 31, 2008

35. SHARE OPTION SCHEMES (Continued)

(a) (Continued)

The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year.

					Number of share options					
Date of grant	Exercisable period	Vesting period	Exercise Price HK$	Outstanding at April 1, 2006	Granted	Exercised	Lapsed	Outstanding at March 31, 2007	Exercised	Outstanding at March 31, 2008
Directors										
May 2,2006	May 2, 2006 to May 1, 2012	Note	0.253	—	12,000,000	—	—	12,000,000	—	12,000,000
				—	12,000,000	—	—	12,000,000	—	12,000,000
Employees										
May 2, 2006	May 2, 2006 to May 1, 2012	Note	0.253	—	36,000,000	(3,000,000)	(10,000,000)	23,000,000	(8,000,000)	15,000,000
September 18, 2006	September 18, 2006 to September 17, 2011	Note	0.233	—	20,000,000	—	—	20,000,000	(13,000,000)	7,000,000
March 13, 2007	January 1, 2008 to March 12, 2012	March 13, 2007 to December 31, 2007	0.500	—	5,000,000	—	—	5,000,000	—	5,000,000
				—	61,000,000	(3,000,000)	(10,000,000)	48,000,000	(21,000,000)	27,000,000
				—	73,000,000	(3,000,000)	(10,000,000)	60,000,000	(21,000,000)	39,000,000
Weighted average exercise price				—	HK$0.264	HK$0.253	HK$0.253	HK$0.267	HK$0.241	HK$0.281
Options vested								55,000,000		39,000,000
Weighted average exercise price								HK$0.246		HK$0.281
Weighted average remaining contractual life								4.87 years		3.96 years

Note: The share options were fully vested at the date of grant.

During the year ended March 31, 2007, 73,000,000 share options were granted under the 2002 scheme to directors and employees for an aggregate consideration of HK$12. The fair value of the options granted during the year ended March 31, 2007 calculated using the Black-Scholes option pricing model (the "Model") were HK$6,607,000.

No options have been granted under the 2002 Scheme during the year ended March 31, 2008. The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK$1.18 *(2007: HK$0.35)*.

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For the year ended March 31, 2008

35. Share Option Schemes (Continued)

(a) (Continued)

The inputs into the Model were as follows:

Date of grant	May 2, 2006	September 18, 2006	March 13, 2007
Number of share options granted during the year	48,000,000	20,000,000	5,000,000
Weighted average share price on date of grant	HK$0.250	HK$0.233	HK$0.500
Exercise price	HK$0.253	HK$0.233	HK$0.500
Expected volatility	21.83%	35.25%	60.91%
Expected life	5 years	5 years	5 years
Risk-free interest rate	4.660%	4.025%	4.030%
Expected dividend yield	0.00%	0.00%	0.00%
Estimated fair value of the granted options expensed through income statement	HK$3,465,000	HK$1,759,000	HK$1,383,000

(b) The stock option plan of Man Sang Holdings, Inc. ("MSH"), an intermediate holding company of the Company (the "1996 Plan") was adopted on October 17, 1996 for the primary purpose of providing incentives to employees, consultants and directors of MSH and its affiliates, including subsidiaries. The 1996 Plan will remain effective until October 2006 unless terminated earlier by board of directors of MSH. However, as a condition to list shares of common stock on the American Stock Exchange ("AMEX"), MSH undertakes to terminate the 1996 Plan during the year ended March 31, 2006.

The initial maximum number of shares of common stock which may be issued or delivered and as to which awards may be granted under the 1996 Plan was 1,250,000 shares, which was subsequently revised to 2,500,000 shares, as adjusted by the anti dilution provisions contained in the 1996 Plan. The exercise price for a stock option must be at least equal to 100% (110% with respect to incentive stock options granted to participants holding ten percent or more of the outstanding common stock) of the fair market value of the common stock on the date of grant of such stock option for incentive stock options, which are available only to employees of the Company, and 85% of the fair market value of the common stock on the date of grant of such stock option for other stock options.

The duration of each option will be determined by the Compensation Committee, but no option will be exercisable more than ten years from the date of grant (or, with respect to incentive stock options granted to participants holding ten percent or more of the outstanding common stock not more than five years from the date of grant). Unless otherwise determined by the Compensation Committee and provided in the applicable option agreement, options will be exercisable within three months of any termination of employment, including termination due to disability, death or normal retirement (but no later than the expiration date of the option).

On July 22, 2005, the board of directors of MSH has approved a five-for-four stock split effected in the form of a stock dividend. As a result, the share and per share data has been restated to reflect the capital structure subsequent to the five-for-four stock split, which become effective on August 5, 2005.

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35. Share Option Schemes (Continued)

(b) (Continued)

For stock options granted on September 16, 1997, the holders can subscribe for the shares of common stock at a subscription price of US$0.976 per share. 50% of the granted stock options vested and became exercisable on September 16, 1998 and the remainder vested and became exercisable on September 16, 1999. The options expired on September 15, 2007. For stock options granted on March 26, 2003, the holders can subscribe for the shares of common stock at a subscription price of US$0.88 per share, 50% of which vested and became exercisable on March 26, 2004, and the remainder vested and became exercisable on March 26, 2005. The options will expire on March 25, 2013.

No share options were outstanding as of March 31, 2007 and 2008.

No options were available for future grant as of March 31, 2008 as the 1996 Plan has been terminated during the year ended March 31, 2006.

In August of 2007, the Company approved the establishment of the Man Sang Holdings, Inc. 2007 Stock Option Plan (the "2007 Plan"), under which stock options awards may be made to employees, directors and consultants of the Company (the "Optionees"). The 2007 Plan will remain effective until August 2017 unless terminated earlier by the Board of Directors.

The maximum number of shares of common stock which may be issued or delivered and as to which awards may be granted under the 2007 Plan is 1,500,000 shares. Under the 2007 Plan, the exercise price for a stock option shall be (i) determined by the Board or the Compensation Committee of MSH, (ii) set forth in an option Agreement and (iii) not less than 100% of the fair market value of the common stock on the date of grant of such stock option.

The Board or the Compensation Committee of MSH may establish and set forth in the applicable option agreement the terms and conditions on which such option shall remain exercisable, if at all, following termination of an Optionee's continuous service. The Board or the Compensation Committee of MSH may waive or modify these provisions at any time. To the extent an optionee is not entitled to exercise an option at the date of his or her termination of continuous service, or if the optionee does not exercise the option to the extent so entitled within the time specified in the option agreement, the option shall terminate in accordance with the terms and conditions of the option agreement.

In the event of termination of an Optionee's continuous service (other than as a result of Optionee's death, disability, retirement or termination for cause), the optionee shall have the right to exercise an option at any time within 30 days following such termination to the extent the Optionee was entitled to exercise such option at the date of such termination.

As of March 31, 2008, no options have been granted under the 2007 Plan.

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36. Reserves — The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share Option reserve HK$'000	Retained profits HK$'000	Total HK$'000
The Company					
At April 1, 2006	50,841	206,459	—	6,159	263,459
Issue of new shares upon exercise of share options	676	—	(217)	—	459
Shares options granted	—	—	5,317	—	5,317
Shares options lapsed	—	—	(722)	722	—
Loss for the year	—	—	—	(2,800)	(2,800)
At March 31, 2007	51,517	206,459	4,378	4,081	266,435
Issue of new shares	268,270	—	—	—	268,270
Dividends paid	—	(36,112)	—	—	(36,112)
Share based payments	—	—	1,290	—	1,290
Loss for the year	—	—	—	(714)	(714)
At March 31, 2008 (Note)	**319,787**	**170,347**	**5,668**	**3,367**	**499,169**

Note: A proposed final dividend of HK$36,742,000 was included in the balance at March 31, 2008.

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the corporate reorganization in 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Company's directors, the Company's net reserves available for distribution to shareholders at March 31, 2008 amounted to HK$173,714,000 *(2007: HK$210,540,000)*, which represents the aggregate of contributed surplus of HK$170,347,000 *(2007: HK$206,459,000)* and accumulated profits of HK$3,367,000 *(2007: HK$4,081,000)*.

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37. Acquisition of Subsidiaries

In March 2007, the Group entered into an agreement in relation to acquire the additional 6% of total issued share capital of the China Pearls and Jewellery City Holdings Limited, the associate, and the assignment of the loan, for a consideration of HK$60,000,000. Upon completion of the acquisition on April 12, 2007, the Group had 55% equity interest in CP&J City, which has become a subsidiary of the Company. This transaction has been accounted for using the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	CP&J City's carrying amount before combination HK$'000	**Fair value adjustments HK$'000**	**Fair value HK$'000**
Net identifiable assets acquired:			
Cash and cash equivalents	135,396	—	135,396
Property, plant and equipment	201,277	96,106	297,383
Trade and other receivables	55,006	—	55,006
Trade and other payables	(269,236)	—	(269,236)
Bank borrowings	(140,000)	—	(140,000)
Net deferred tax liabilities	—	(31,715)	(31,715)
	(17,557)	64,391	46,834
6% of fair value of net identifiable assets acquired			2,810
Loan assigned			10,560
Goodwill arising on acquisition			47,295
Total consideration			60,665
Satisfied by:			
Cash			50,105
Loan assigned			10,560
Cash and loan assigned			60,665
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries, representing bank balances and cash acquired			85,291

Notes to the Financial Statements

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37. Acquisition of Subsidiaries (Continued)

The above goodwill is attributable to gaining the controlling rights and executive power over CP&J City for the development of China Pearls and Jewellery City.

Minority interest represents share of 45% net assets of CP&J City attributable to minority shareholders.

Revenue of HK$228 million was contributed by the subsidiaries acquired during the year and a profit of approximately HK$338 million was contributed to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2007, the total group revenue and profit for the year would have been increased by approximately HK$228 million and HK$315 million respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

38. Pledge of Assets

At the balance sheet date, the Group had pledged the following assets to banks to secure general banking facilities granted to the Group:

	The Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount of leasehold land and buildings	**1,062,447**	63,100
Carrying amount of investment properties	**15,300**	11,200
	1,077,747	74,300

39. Capital Commitment

	The Group	
	2008	2007
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**165,083**	—

As at March 31, 2007, the Group had capital commitments of HK$60,000,000 in relation of the additional acquisition of 6% of total issued share capital of the associate.

The Company had no capital commitment at the balance sheet date.

Notes to the Financial Statements

For the year ended March 31, 2008

40. Operating Lease Arrangements

The Group as lessee

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**13,896**	3,494
In the second to fifth year inclusive	**23,113**	990
	37,009	4,484

Leases are negotiated for an average term of one to five years and rentals are fixed during the relevant lease period.

The Company had no significant operating lease commitment at the balance sheet date.

The Group as lessor

Property rental income earned during the year was HK$6,802,000 *(2007: HK$4,225,000)*. Most of the investment properties held have committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**20,558**	3,245
In the second to fifth year inclusive	**39,870**	2,013
	60,428	5,258

The Company does not have any contracted tenants for operating lease rentals at the balance sheet date.

41. Contingent Liabilities

At the balance sheet date, the Company had issued corporate guarantees to banks in respect of general banking facilities granted to its subsidiaries. No banking facilities have been utilized by the subsidiaries at the balance sheet date.

Notes to the Financial Statements

For the year ended March 31, 2008

41. Contingent Liabilities (Continued)

The subsidiary of the CP&J City formed mortgage collaboration agreement with a bank in the PRC under which the Group has agreed to indemnify the loan makers who purchase the property in the CP&J City for repaying any outstanding loans to the bank if the sale and purchase contract with required collateral documents in relation to the purchase property are not presented to the bank in due course. As at March 31, 2008, the Group had maximum guarantees of HK$28,227,000. The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

At the balance sheet date, the Group had no other significant contingent liabilities.

42. Litigation

Regarding to court case (Hong Kong High Court Action No. 4423 of 2003 & No. 4599 of 2003) filed by Arcadia Jewellery Limited ("Arcadia"), a subsidiary of the Company, on December 2, 2003 and a former general manager on December 22, 2003 respectively, Arcadia is involving in a dispute with this former general manager, who is alleged that he was in breach of a business transfer agreement, an employment agreement and a consultancy agreement on December 22, 2003. Arcadia is claiming for damages of at least HK$832,000. This former general manager is claiming against Arcadia of approximately HK$395,000 in respect of the aforesaid employment agreement. There has been no material progress since the last financial year ended March 31, 2007. Although it is not possible to predict with certainty at the moment the outcome of these unresolved legal actions or pending claim or the amount of possible loss or recovery, the directors do not believe that the resolution of these matters will have a material adverse effect on the Group's financial position or operating results.

43. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions, which were carried out in the ordinary course of the Group's business.

Related party relationship	Nature of transaction	2008 HK$'000	2007 HK$'000
Key management personnel including directors as disclosed in note 13	Salaries and other short-term benefits	**16,119**	14,599
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement for salaries of staff who have provided services to the entity	**456**	568
	Sale of goods	**250**	600
	Rental charges paid	**209**	229
	Purchase of a motor vehicle at net book value	**324**	—

Save as disclosed in the financial statements, there were no other significant related party transactions.

Notes to the Financial Statements

For the year ended March 31, 2008

44. Retirement Benefits Schemes

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute 8% of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to income statement of HK$1,524,000 *(2007: HK$1,364,000)* represents contributions payable to these schemes by the Group in respect of the current accounting period.

45. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at March 31, 2008 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Arcadia Jewellery Limited	Hong Kong	Ordinary shares HK$500,000	100%	Trading and manufacturing of jewelry products
Asean Gold Limited	The British Virgin Islands/ Hong Kong	Ordinary shares US$10,000	100%	Investment holding and subcontracting
China Pearls and Jewellery City Holdings Limited	Hong Kong	Ordinary shares HK$100	55%	Investment holding
China Pearls and Jewellery International City Company Limited	PRC	Registered Capital US$20,000,000	55%	Property development and investment
Cyber Bizport Limited	Hong Kong	Ordinary shares HK$10,000,000	100%	Investment holding
Excel Access Limited	Hong Kong	Ordinary shares HK$5,000	100%	Property investment
Hong Kong Man Sang Investments Limited	Hong Kong	Ordinary shares HK$5,000	100%	Property investment
Man Hing Industry Development (Shenzhen) Co., Ltd	PRC	Registered capital HK$29,600,000	100%	Purchasing and Processing of pearls and assembling of pearl jewelry and property investment

Notes to the Financial Statements

For the year ended March 31, 2008

45. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Man Sang China Investment Ltd.	The British Virgin Islands/ Hong Kong	Ordinary shares US$1	100%	Investment holding
Man Sang Development Company Limited	Hong Kong	Ordinary shares HK$5,000	100%	Investment and property holding
Man Sang Enterprise Ltd.	The British Virgin Islands/ Hong Kong	Ordinary shares US$100	100%	Investment holding
Man Sang Innovations Limited	Hong Kong	Ordinary shares HK$5,000	100%	Investment holding
Man Sang Investment Development Limited (Previously name: Man Sang China Investment Limited)	Hong Kong	Ordinary shares HK$1	100%	Property development and investment
Man Sang Jewellery Company Limited	Hong Kong	Ordinary shares HK$500 Non-voting deferred shares HK$500	100%	Trading of pearl products and investment holding
Market Leader Technology Limited	The British Virgin Islands/ Hong Kong	Ordinary shares US$100	100%	Investment holding
M.S. Collections Limited	Hong Kong	Ordinary shares HK$500 Non-voting deferred shares HK$500	100%	Investment holding
Northeast Infrastructure Holdings Limited	Hong Kong	Ordinary shares HK$1	100%	Inactive
Peking Pearls Company Limited	Hong Kong	Ordinary shares HK$2	100%	Inactive
Smartest Man Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary shares US$1	100%	Investment holding
Swift Millions Limited	Hong Kong	Ordinary shares HK$5,000	100%	Property investment
Zhuji Five Continents Enterprise Ltd.	PRC	Registered Capital US$10,000,000	55%	Inactive
4376zone.com Limited	Hong Kong	Ordinary shares HK$5,000	100%	Trading of pearls

Notes to the Financial Statements

For the year ended March 31, 2008

45. Particulars of Subsidiaries (Continued)

Note 1: The Company directly holds the interests in Man Sang Enterprise Ltd., Man Sang Innovations Limited and Market Leader Technology Limited. All other interests shown above are indirectly held by the Company.

Note 2: The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

Note 3: Man Hing Industry Development (Shenzhen) Co., Ltd., China Pearls and Jewellery International City Company Limited and Zhuji Five Continents Enterprise Limited were registered in the PRC as foreign wholly-owned investment enterprises.

46. Comparative Information

In accordance with the change in the Group's internal financial reporting, the Group has presented the rental income as the Group's revenue. As a result, certain comparative figures of revenue and other operating income have been re-classified to conform with current year's presentation. No material financial impacts are noted for the reclassification.

Five-year Financial Summary

Results

	For the year ended March 31,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Revenue	**640,493**	402,504	378,297	412,262	382,123
Profit before taxation	**590,550**	67,165	46,816	41,933	40,982
Taxation	**(186,921)**	(7,214)	(3,836)	85	(3,802)
Profit for the year	**403,629**	59,951	42,980	42,018	37,180
Proposed final dividends	**36,742**	36,112	—	—	—
Attributable to:					
Equity Shareholders	**232,375**	59,951	42,980	42,018	37,180
Minority interest	**171,254**	—	—	—	—
	403,629	59,951	42,980	42,018	37,180

Assets and Liabilities

	At March 31,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Total assets	**2,312,099**	749,676	654,655	596,430	562,114
Total liabilities	**(886,458)**	(70,632)	(46,230)	(43,415)	(72,684)
Minority interest	**(204,368)**	—	—	—	—
Equity Shareholders' funds	**1,221,273**	679,044	608,425	553,015	489,430

Note: The above figures prior to the year ended March 31, 2005 have not been adjusted to take into account the effect on the adoption of the new and revised Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as the directors considered that such information is not available without incurring significant costs and effort.

Financial Section

Major Properties

Below is a schedule of investment properties held by the Group in Hong Kong and the PRC as at March 31, 2008:

Location	Description and Tenure	Use	Group's Interest
Group I			
Flat A on 33rd Floor, Valverde, No. 11 May Road, Mid-levels, Hong Kong (80/9,100th shares of and in Inland Lot No. 8213)	The gross floor area of the property is approximately 1,063 square feet (98.8 square metres) and the saleable area is approximately 850 square feet (79 square metres). The property is held under Conditions of Exchange No. 9660 for a term of 75 years and renewable for a further 75 years from August 21, 1911.	Residential The property is vacant and available for lease.	100%
Car parking Space No. CP3 on 3rd Floor, Valverde, No. 11 May Road, Mid-levels, Hong Kong (7/9,100th shares of and in Inland Lot No. 8213)	The property is held under Conditions of Exchange No. 9660 for a term of 75 years and renewable for a further 75 years from August 21, 1911.	Car Park The property is vacant and available for lease.	100%
Unit 7, 4th Floor, Wing Tuck Commercial Centre, No 13-17 Bonham Strand West and No. 177–183 Wing Lok Street, Sheung Wan, Hong Kong (17/2, 422nd shares of and in Inland Lot No. 1073, 1728, 1760 & 1761 and the Remaining Portion of Section A of Inland Lot No. 1760)	The gross floor area of the property is approximately 957 square feet (88.91 square metres) and the saleable area is approximately 762 square feet (70.79 square metres). The property is held under Government Leases for a term of 999 years commencing from September 27, 1854.	Office The property is let for a term of three years commencing from September 22, 2005	100%
Group II			
18 Blocks of Man Sang Industrial City, Man Sheng Main Road, Gong Ming Zhen, Bao An, Shenzhen, the PRC	The property has a total gross floor area of approximately 544,526 square feet (50,587.7 square metres). The property has been granted for a land use term of 50 years from September 1, 1991 to August 31, 2041	Factories and residential The property is let to various tenants for terms of generally 3 years.	100%

Group I — Investment properties held by the Group in Hong Kong

Group II — Investment properties held by the Group in PRC