Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 0938

Annual Report

The Ultimate Name
In
Pearls

Pearls

Assembled Jewelry

China Pearls & Jewelry City

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Chung Hing *(Chairman)*
Mr. Cheng Tai Po *(Deputy Chairman)*
Ms. Yan Sau Man, Amy
Ms. Wong Hung Flavia Yuen Yee

Independent Non-Executive Directors

Mr. Lee Kang Bor, Thomas
Mr. Kiu Wai Ming
Mr. Lau Chi Wah, Alex

COMPANY SECRETARY

Mr. Pak Wai Keung, Martin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

Grant Thornton

LEGAL ADVISERS

As to Hong Kong and the US law
Baker & McKenzie

As to Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Ltd.

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
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, 22/F.
Sun Life Tower, The Gateway,
15 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Corporate Profile

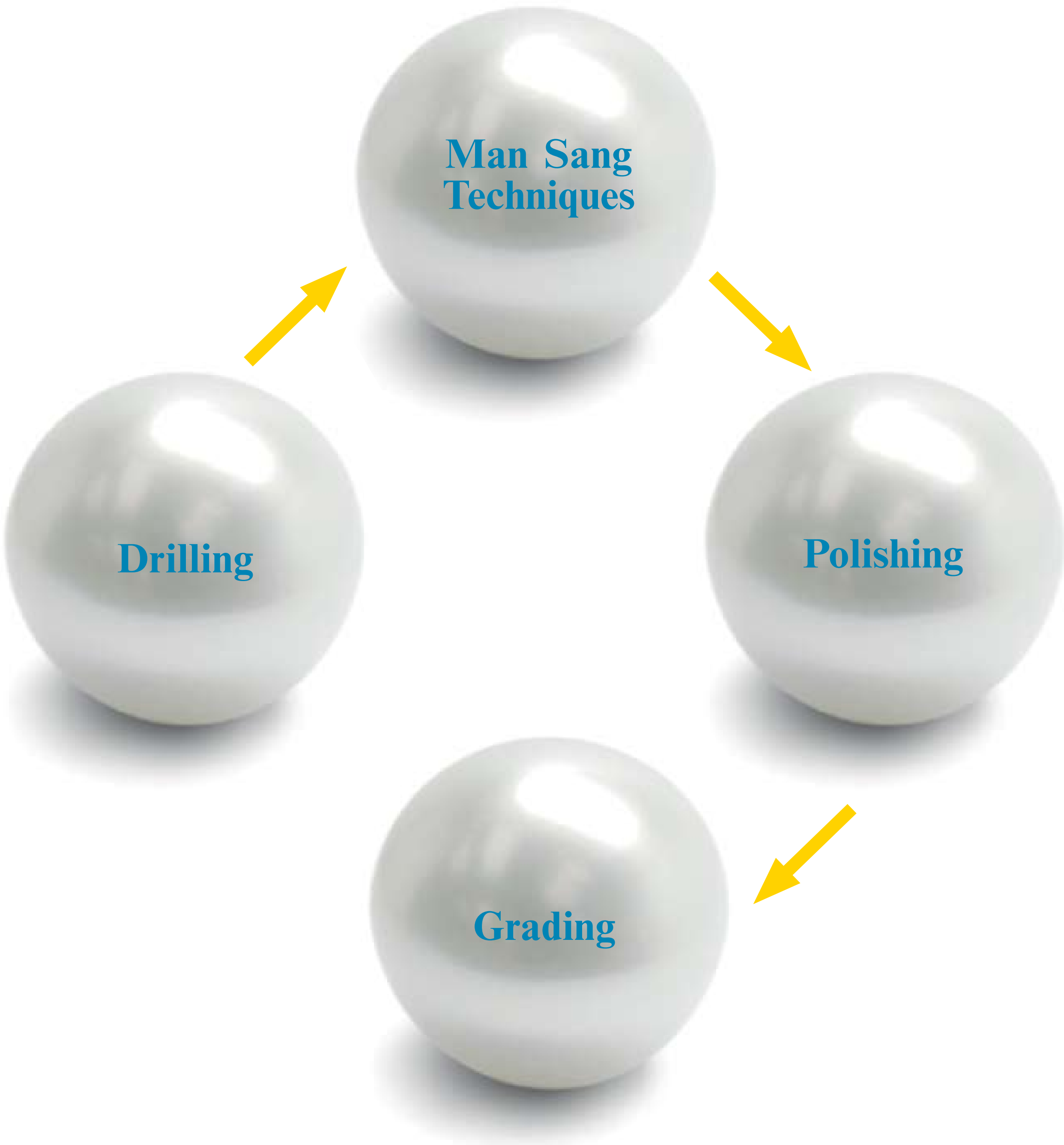
Man Sang International Limited (the "Company") and its subsidiaries (the "Group") have two main business streams. One of the business streams is engaging in the purchasing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearl business"). The other is engaging 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 NYSE Amex (formerly known as "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. As of March 31, 2009, the Group had completed construction of phase one market centre of CP&J Project, which includes a total of 2,380 units (including 1,252 shop units and 1,128 booths), covering a total gross floor area of approximately 130,000 square metres. Upon its completion, we expect phase one of CP&J Project will comprise a market centre, manufacturing and processing areas, residential areas and multi-function buildings.

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

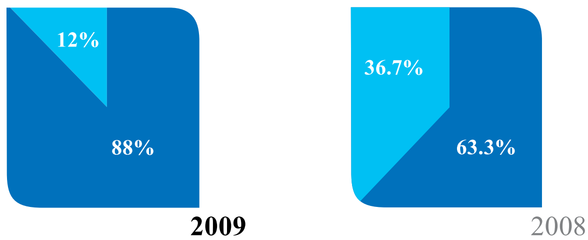
	Decrease HK$'000	change %	**2009 HK$'000**	2008 HK$'000
Key Financial Performance				
For the year ended March 31				
Revenue	(280,759)	–44%	**359,734**	640,493
Gross Profit	(143,698)	–52%	**133,312**	277,010
(Loss)/Profit before taxation	(776,259)	–132%	**(185,709)**	590,550
(Loss)/Profit for the year	(538,573)	–133%	**(134,944)**	403,629
(Loss)/Profit attributable to the equity shareholders	(304,711)	–131%	**(72,336)**	232,375
(Loss)/Earnings per share				
— Basic	(26.13) cents	–129%	**(5.91) cents**	20.22 cents
— Diluted	N/A	N/A	**N/A**	19.53 cents
Net asset values	(163,220)	–11%	**1,262,421**	1,425,641
Key Financial Ratios				
For the year ended March 31				
Gross profit margin			**37%**	43%
Current ratio (times)			**1.6**	1.9
Gearing ratio (Total bank borrowings divided by total equity attributable to equity shareholders)			**0.17**	0.16
Return on equity shareholders' fund ((Loss)/Profit attributable to equity shareholders divided by Total equity attributable to equity shareholders)			**(6%)**	19%

Financial Highlights

All segments

1) Revenue by business segments

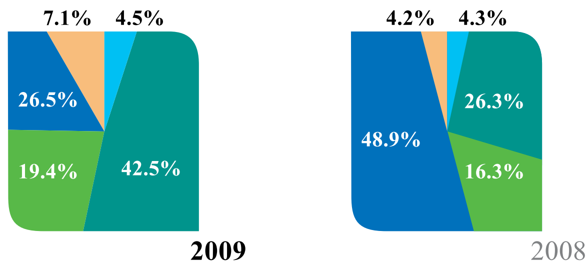
- Pearls & jewelry segment
- Property development & investment segment



All segments

2) Revenue by geographical segments

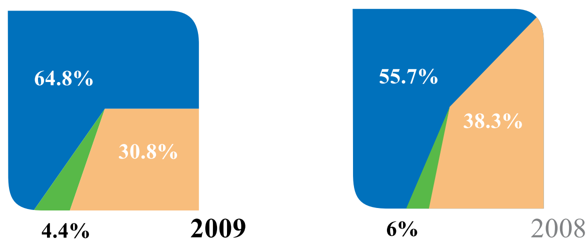
- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



Pearls and jewelry segment

3) Revenue by products

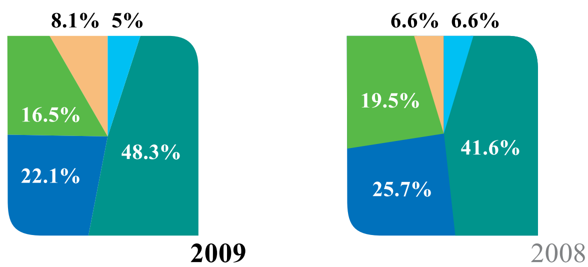
- Saltwater pearls
- Freshwater pearls
- Assembled jewelry



Pearls and jewelry segment

4) Revenue by geographical segments

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

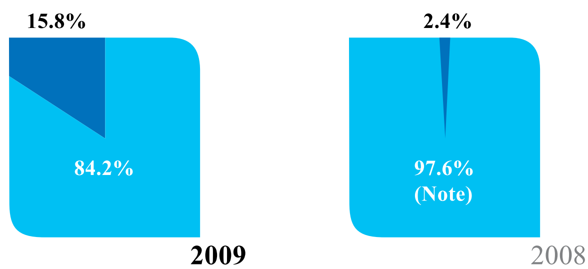


Property development and investment segment

5) Revenue by business sectors

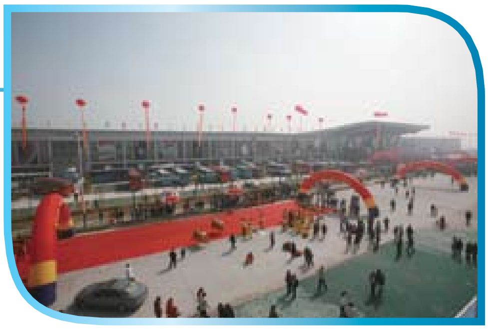
- China Pearl and Jewelry Project
- Other properties in the PRC & HK

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 2008/2009

Grand opening of phase one market centre of CP&J project



2008/2009

New office at Sun Life Tower, The Gateway

2008 Annual General Meeting

April 3–10, 2008
Attended the Baselworld 2008 — World Watch Jewellery Show

April 18, 2008
Grand-opening of phase one market centre of CP&J project

May 12, 2008
Moved to the New Office at Sun Life Tower, The Gateway, Tsimshatsui

May 17–21, 2008
Participated in Vicenzaoro spring

May 30–June 3, 2008
Participated in JCK Show — Las Vegas, the United States

June 19–22, 2008
Participated in June Hong Kong Jewellery & Watch Fair

July 27–30, 2008
Participated in New York JA International Jewelry (Summer) Show

August 1, 2008
2008 Annual General Meeting in Sheraton Hotel, Tsimshatsui

September 6–10, 2008
Participated in Vicenzaoro autumn

Representatives from
GIA took a trip to CP&J Project

Hong Kong International Jewellery Show

2008/2009

The vice-chairman of the National
committee of the CPPCC visited CP&J Project

Dinner Reception for the Zhuji Government officials

September 15, 2008

Representatives from Gemological Institute of America (GIA) took a trip to the CP&J Project

September 17–21, 2008

Participated in September Hong Kong Jewellery & Watch Fair

October 23, 2008

The vice-chairman of the National committee of the Chinese People's Political Consultative Conference (CPPCC), Mr. Li Wuwei, visited CP&J Project

November 4, 2008

Dinner reception for the Zhuji Government officials in Shangri-La Hotel, Admiralty

December 4–7, 2008

Participated in JMA Hong Kong 2008

January 11–18, 2009

Participated in Vicenzaoro winter

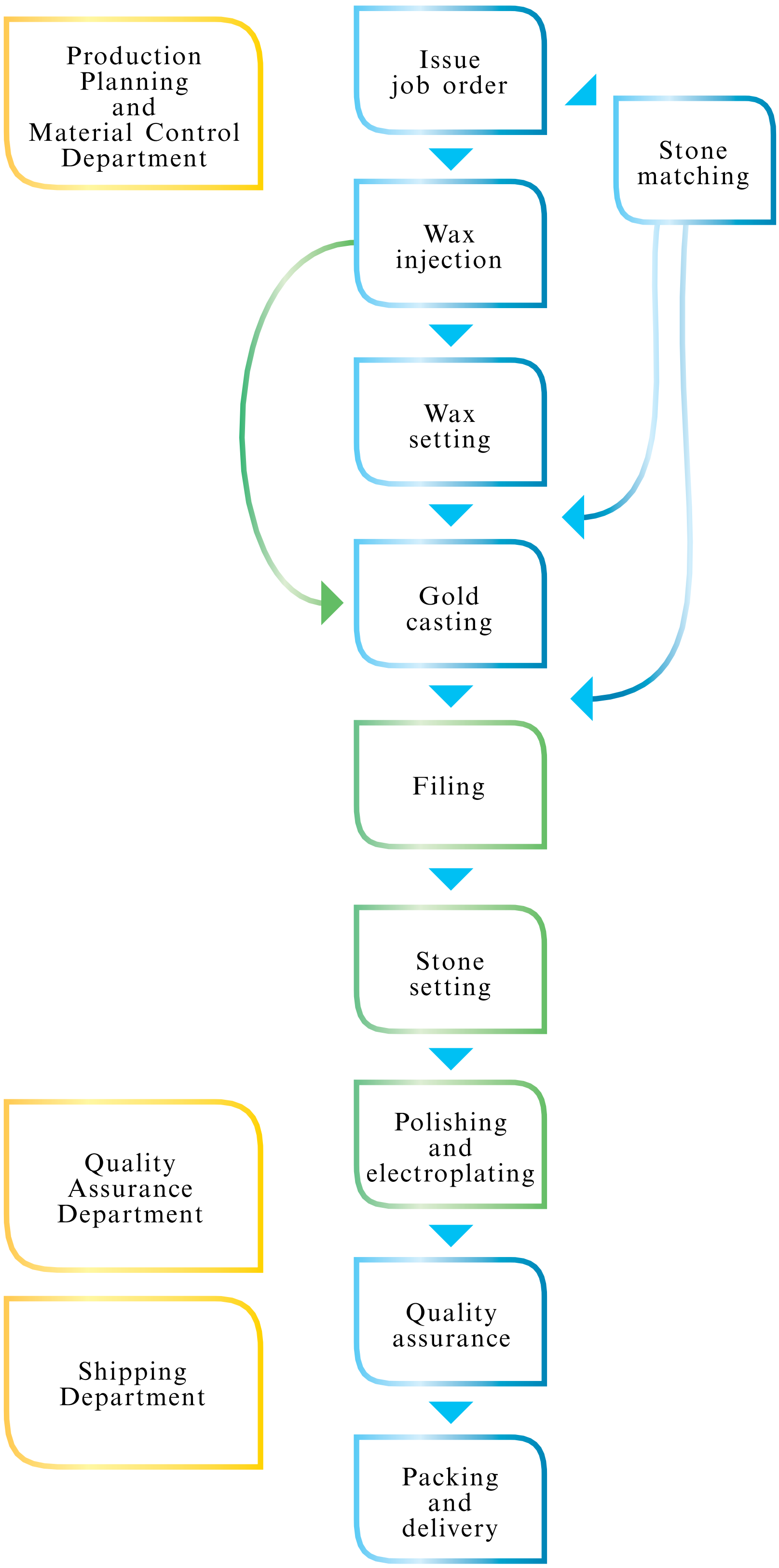
March 4–8, 2009

Participated in Hong Kong International Jewellery Show 2009

March 9, 2009

Jewelers from Japan visited the CP&J Project

Assembled Jewelry



The Group offers customers with a comprehensive range of assembled jewelry. The pearl jewelry 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

I present the results and operations of Man Sang International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended March 31, 2009.

Performance

The Group recorded a loss attributable to shareholders of HK$72 million and loss per share of HK5.91 cents in 2009, as compared to the profit of HK$232 million and earnings per share of HK20.22 cents in 2008.

The Group's revenue decreased by HK$281 million or 43.8% from HK$641 million in 2008 to HK$360 million in 2009. Gross profit decreased by HK$144 million or 52.0% from HK$277 million in 2008 to HK$133 million in 2009.

Chairman's Statement

Recent disruptions in global financial markets and banking systems due to the financial crisis have also made credit and capital markets more difficult for companies to access. Continuing volatility in the credit and capital markets could potentially impair our and our customers' ability to access these markets and increase associated costs. In addition, the recent turmoil in the financial markets may have an adverse effect on customer spending patterns. A recessionary economic cycle, higher levels of unemployment, higher consumer debt levels, or other economic factors could adversely affect consumer demand for the products we sell and properties we sell and lease, which could adversely affect our results of operations.

Dividend

The Board does not recommend the payment of a final dividend for the year ended March 31, 2009 (2008: HK3 cents per share).

Prospects

According to the National Bureau of Statistics of China, the PRC's gross domestic product ("GDP") annual growth slowed from 13% in 2007 to 9% in 2008. The latest figure for first quarter of 2009 was 6.1%, which was 2.9% lower than the corresponding period in 2008 as, among other factors, the prolonged financial crisis has significantly reduced overseas demand for Chinese goods. The financial crisis, should it continue, may further hinder the pace of economic growth in the PRC which would have an impact on our sales, pricing of our goods and our gross profit margin, whereby our overall results will be affected.

We anticipate that the majority of markets where we operate will continue to be adversely affected by the financial crisis throughout the first half of fiscal year 2010. We will continue to monitor the effects of the financial crisis in the markets where we operate and to adjust our business and financial strategies to ensure that we maintain flexibility to take advantage of any early signs of recovery in our core markets of Pearl Operations and Real Estate Operations.

Appreciation

On behalf of the Board, I wish to take this opportunity to thank all of our employees for their continued commitment and hardworking throughout the year as well as to express our appreciation and respect for our shareholders for their trust and support amidst this difficult time. Regardless of the external environment, we are confident that our Company is well-prepared to meet the challenges ahead and to uphold the long-term interests of our shareholders.

Cheng Chung Hing
Chairman

Hong Kong, June 11, 2009

China Pearls & Jewelry City

Phase I Market Centre

Factories


Apartment


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%)

Note 1
A company incorporated in Nevada State of the United States of America with limited liability and its shares are listed on the NYSE Amex (formerly known as "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

Pearl Operations

Economic conditions have continued to deteriorate in the core markets of our Pearl Operations, and may remain depressed for the foreseeable future, which represents a challenge to our businesses. As a result, we have been adopting more conservative policies since last year, including shortening the credit terms we provide to our customers and closely monitoring our customer's payment history, to ensure that we maintain adequate liquidity to fund our operations and to position for any further deterioration in the global markets. Nonetheless, as our Pearl Operations are geographically diverse, we believe that we will be able to take advantage of any early signs of economic recovery in our core markets.

Real Estate Operations

During the fiscal year 2009, conditions in the People's Republic of China (the "PRC") real estate market deteriorated significantly. The deterioration was largely due to macroeconomic policies and austerity measures implemented by the PRC Government on the PRC real estate market, as well as a significant downturn in the global financial market, which has resulted in tightened monetary policy in the PRC and worldwide. As the economic crisis has accelerated in the United States and Europe, the PRC Government has announced various fiscal stimulus plans to boost up the domestic economy and sentiment towards the real estate market. These plans include: the promotion of additional lending by leading China's domestic banks; reductions in housing down payment requirements and lowering mortgage rates; and exemptions on the business tax to certain homeowners. However, as the level of consumers' confidence has yet to improve, we anticipate that corporations and individuals will continue to postpone their buying decision and/or cut the budget on capital expenditures, which will adversely affect the sales and leasing of our properties.

Under the current global economic environment, we have and will continue to strictly adopt a prudent operational and financial discipline in the execution of our business strategies and development plan for our China Pearls and Jewelry Project ("CP&J Project") and to review such strategy based on the overall sentiment and pace of development in the PRC property market.

As regards the non-legally binding memorandum of understanding that we entered into in June 2008 in respect of a possible investment in constructing and developing a logistics and trade center in the north-eastern region of the PRC, given the prevailing uncertainties noted in the economy and the real estate market in the PRC, we have ceased to pursue further with this investment opportunity for the time being.

Management Discussion and Analysis

Financial Review

The Group has two main business segments during the year. One business segment is in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearl Segment") while the other is in property development and investment (the "Property Segment").

Revenue and gross profit

(i) Pearl Segment

Net sales attributable to our Pearl Segment decreased by HK$88.7 million or 21.9% from HK$405.4 million in the fiscal year 2008 to HK$316.7 million in the fiscal year 2009 due to the decrease in market demand worldwide, particularly in the United States and Asian countries, including Hong Kong, and the continued global financial and credit crisis and the contraction of economic activities around the world.

Gross profit decreased by HK$21.7 million, or 17.4%, from HK$124.5 million in fiscal year 2008 to HK$102.8 million in fiscal year 2009. Such decrease was primarily attributable to the decrease in net sales to the United States and the Asia markets. Gross profit margin attributable to our Pearl Segment increased from 30.7% for the fiscal year 2008 to 32.5% for the fiscal year 2009. The increase in gross profit margin was primarily due to our continued (a) implementation of effective cost controls, (b) enhancement of production efficiency due to the acquisition of new machinery and (c) shift in our focus to sales of higher value products.

(ii) Property Segment

In fiscal year 2009, the Property Segment recorded a total revenue of HK$43.0 million (2008: HK$235.1 million) including the sales of properties in CP&J Project and rental income from the investment properties. In fiscal year 2009, sale of properties in CP&J Project was approximately HK$16.4 million (2008: HK$228.3 million) and the gross margin was maintained at about 65%. The sales of properties and leasing business in CP&J Project was first launched in the fourth quarter of fiscal year 2008.

Sales income decreased by HK$211.9 million, or 92.8%, from HK$228.3 million in fiscal year 2008 to HK$16.4 million in fiscal year 2009. The significant decrease was due to the macro control policies and austerity measures implemented on real estate market by the PRC Government as well as the material downturn in the global financial and credit market which discouraged corporations and individuals to invest in the property market.

Rental income amounting to HK$19.8 million (2008: HK$1.3 million) and HK$6.8 million (2008: HK$5.5 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively.

The increase in rental income of investment properties was primarily attributable to an increase of HK$18.5 million in rental income attributable to CP&J Project and an increase in rental income of HK$1.3 million from Man Sang Industrial City. Rental income in CP&J Project was recognized at full year amount in fiscal year 2009 while only the fourth quarter amount was recognized in fiscal year 2008.

Selling, Administrative and Other Operating Expenses (the "S&A expenses")

(i) Pearl Segment

S&A expenses increased by HK$12.4 million, or 15.0% from HK$82.4 million in fiscal year 2008 to HK$94.8 million in the fiscal year 2009. The increase was mainly due to an increase in provision for doubtful debt of HK$6.7 million due to an increase in default risk on receivables due from customers and loss on disposal of financial assets (listed equity investment in Hong Kong) of HK$3.5 million in fiscal year 2009 under the current downturn economic conditions.

(ii) Property Segment

S&A expenses decreased by HK$32.7 million, or 38.6% from HK$84.7 million in fiscal year 2008 to HK$52.0 million in fiscal year 2009. The provision for doubtful debts of HK$20.7 million was made in fiscal year 2009 against the impairment loss of goodwill of HK$47.3 million in the subsidiary company, China Pearls and Jewellery City Holdings Limited (the "CP&J City") in fiscal year 2008 and the reduction in advertising and promotion expenses by HK$6.0 million, or 46.2% from HK$13.0 million in fiscal year 2008 to HK$7.0 million in fiscal year 2009 contributed to the decrease.

Taxation

(i) Pearl Segment

Taxation decreased by HK$7.6 million from tax expense of HK$6.6 million in fiscal year 2008 to tax benefit of HK$1.0 million in fiscal year 2009, which was primarily due to a decrease in taxable income and provision on obsolete stock made in fiscal year 2009.

(ii) Property Segment

Taxation in fiscal year 2009 consisted of income tax benefit of HK$5.3 million (2008: tax expenses of HK$14.6 million), land appreciation tax expenses of HK$3.2 million (2008: HK$53.2 million) arising from the sales of properties and deferred taxation benefit of HK$47.7 million (2008: deferred taxation expenses of HK$112.5 million) arising from the revaluation of the investment properties.

The income tax benefit, decrease in land appreciation tax and deferred taxation benefit were mainly due to the allowance of doubtful debts made, decrease in sales of properties and revaluation loss of the investment properties in respect of CP&J Project respectively.

Other operating income

The other operating income mainly contributed by net gain on disposal of one of the Group's leasehold properties in fiscal year 2009 as compared to net gain on disposal of an investment property in fiscal year 2008. The Group disposed of a leasehold property amounting to HK$5.2 million (2008: HK$25 million). After deducting net asset value of a leasehold property at HK$2.7 million (2008: HK$19.4 million), net gain of HK$2.5 million (2008: HK$5.6 million) was made.

(Decrease)/Increase in fair values of investment properties

According to the valuation as at March 31, 2009 prepared by independent professional property valuers, the fair values of our investment properties located in the CP&J Project and other properties in Hong Kong and the PRC decreased by HK$180.6 million (2008: increased by HK$448.9 million) and HK$1.0 million (2008: increased by HK$6.0 million), respectively.

Net unrealized (loss)/gain on financial assets at fair value through profit or loss

Under a volatile stock market caused by the financial turmoil during the year, net unrealized loss on financial assets (listed equity investments in Hong Kong) amounted to HK$5.3 million was made in fiscal year 2009 against net unrealized gain amounted to HK$0.6 million in fiscal year 2008. Save for this, the Group did not hold any other derivative or structural financial products as at the date hereof.

(Loss)/Profit attributable to equity shareholders

The Group recorded a loss attributable to equity shareholders of HK$72.3 million in fiscal year 2009 against profit attributable to equity shareholders of HK$232.4 million in fiscal year 2008. The net loss was mainly due to the impairment loss incurred on fair value of investment properties of HK$181.6 million, provision for doubtful debts of HK$27.4 million and net unrealized loss on financial assets (listed equity investments in Hong Kong) of HK$5.3 million in fiscal year 2009.

Investment properties

At March 31, 2009, 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$710.5 million (2008: HK$869.4 million) and HK$134.9 million (2008: HK$83.5 million) respectively. An investment property in Hong Kong of HK$62.6 million was reclassified from the leasehold buildings in fiscal year 2009. At March 31, 2009, the Group achieved a targeted occupancy rate of 18% in the CP&J Project's market centre.

Liquidity and capital resources

At March 31, 2009, the Group's total shareholders' funds amounted to HK$1,113.7 million (2008: HK$1,221.3 million). At March 31, 2009, the Group had working capital of HK$351.6 million (2008: HK$516.4 million). With the committed banking facilities in place and cash on hand, the Group has adequate financial resources to meet our anticipated future liquidity requirements. Cash and cash equivalents amounted to HK$462.8 million (2008: HK$587.6 million) and accounted for 49% (2008: 54%) of Group's total current assets at March 31, 2009. Current ratio slightly decreased from 1.9 at March 31, 2008 to 1.6 at March 31, 2009.

At March 31, 2009, the Group's total secured bank loans were HK$192.1 million (2008: HK$199.8 million) which was mainly related to CP&J Project. Gearing ratio at March 31, 2009, calculated on the basis of total bank borrowings to total equity, was 0.17 (2008: 0.16).

The maturity profile of the Group's total borrowings is set out as follows:

	2009	2008
	HK$'000	HK$'000
Repayable:		
Within 1 year	**90,400**	33,300
More than 1 year but not exceeding 2 years	**101,700**	66,600
More than 2 years but not exceeding 5 years	—	99,900
	192,100	199,800

At March 31, 2009, the Group had available bank facilities of HK$392.1 million (2008: HK$414.8 million) with various banks of which HK$192.1 million (2008: HK$199.8 million) has been drawn and HK$200.0 million (2008: HK$215.0 million) remained unutilized. The Group does not currently use any derivatives to manage our interest rate risk. At March 31, 2009, the Group has pledged the carrying amount of assets including restricted cash, leasehold land and buildings, investment properties, completed properties held for sales and properties under development, amounted to HK$649.8 million (2008: HK$741.5 million) to banks to secure the bank borrowings.

For the year ended March 31, 2009, most of the Group's transactions were denominated in either US dollars or Hong Kong dollars. Since the Hong Kong dollar remains "pegged" to the US dollars at a range between 7.75 to 7.85, in this respect, the Group was not exposed to any significant foreign exchange risk, and as a result of which, the Group has not adopted any hedging measures.

Current assets and current liabilities

At March 31, 2009, current assets amounted to HK$950.0 million (2008: HK$1,083.2 million) and current liabilities amounted to HK$598.4 million (2008: HK$566.8 million). Current ratio decreased to 1.6 at March 31, 2009 from 1.9 at March 31, 2008.

The amount of cash and cash equivalents decreased by HK$124.8 million, or 21.2% from HK$587.6 million at March 31, 2008 to HK$462.8 million at March 31, 2009. The allowance for doubtful debts of HK$27.5 million during the fiscal year 2009 (2008: Write-back of allowance for doubtful debts of HK$5.3 million) primarily caused the decrease in trade and other receivables, amounting to HK$226.6 million at year ended March 31, 2009 (2008: HK$253.1 million).

Major customers and suppliers

For the year ended March 31, 2009, the aggregate amount of sales from the five largest customers accounted for 42% (2008: 27%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 50% (2008: 57%) 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 guarantee have been utilized by subsidiaries at March 31, 2009.

In August 2007, the Group entered into a mortgage collaboration agreement with a PRC bank pursuant to which the Group agreed to indemnify the bank for any failure on the part of purchasers of properties at CP&J Project to repay outstanding loans on properties for which the Group had not yet obtained certificates of title and undertook to deliver such certificates to the bank as collateral once the certificates have been obtained. In February 2009, the Group obtained all certificates of title for the purchased properties subject to the mortgage collaboration agreement, which the Group will deliver to the bank following the completion of certain administrative procedures to formally transfer title to purchasers of these properties. As of March 31, 2009, the loans for which we had provided such indemnification totaled HK$52.2 million (2008: HK$28.2 million).

Save as disclosed above, the Group had no other significant contingent liabilities at March 31, 2009 (2008: HK$Nil).

Treasury policy

During the year, the Group had no derivative contracts to hedge against foreign exchange fluctuations. The fluctuation of the Renminbi were not considered significant to our operations.

At March 31, 2009, we borrowed HK$192.1 million (2008: HK$199.8 million) under floating rate credit facilities. The Group does not currently use any derivatives to manage our interest rate risk.

Human Resources

At March 31, 2009, the Group had 987 (2008: 1,143) employees, of whom 78 (2008: 81) employees were based in Hong Kong. For the year ended March 31, 2009, the total staff cost, including directors' emoluments, share-based payments and mandatory provident funds, was approximately HK$65.4 million (2008: HK$57.8 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.

Profile of Directors and Senior Management

Executive Directors

Mr. CHENG Chung Hing, aged 48, 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 and the Chinese Outstanding Entrepreneur Award 2008 by the China Enterprise Confederation and the China Enterprise Directors Association. 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 is also the director of Man Sang Holdings, Inc. which is listed on NYSE Amex (formerly known as "American Stock Exchange"). He is the younger brother of Mr. Cheng Tai Po.

Mr. CHENG Tai Po, aged 57, is the Deputy Chairman of the 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 is also the director of Man Sang Holdings, Inc. which is listed on NYSE Amex (formerly known as "American Stock Exchange"). He is the elder brother of Mr. Cheng Chung Hing.

Profile of Directors and Senior Management

Ms. YAN Sau Man, Amy, aged 46, 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 and also years of experience in jewelry business.

Ms. WONG HUNG Flavia Yuen Yee, aged 42, is the director of the company. Ms. Hung is responsible for business developments, corporate finance activities and investor relationship of the Group. Ms. Hung has over 19 years of corporate finance experience relating to initial public offerings, mergers and acquisitions, takeovers and privatisations, debt restructuring, financial advisory and equity financing. Prior to joining the Company, Ms. Hung worked at a number of investment banks and brokerage houses. Ms. Hung holds a Bachelor's degree in Business Administration from California State University, Los Angeles, USA.

Independent Non-executive Directors

Mr. LEE Kang Bor, Thomas, aged 55, 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. He is also an Independent Non-executive Director of Sparkle Roll Group Limited which is listed on 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 Deputy President of the Asia-Oceania Tax Consultants' Association.

Mr. KIU Wai Ming, aged 61, 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 Stock Exchange of Hong Kong Limited. 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 45, 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 45, 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 53, 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, 2009 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 continually reviews and enhances its corporate governance practices in the light of local and international developments and 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 with the Board.

The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of corporate strategies and policies, internal control and risk management systems, and assessment of the performance of the senior management. The directors make informed 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 four 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.

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 regularly in June, August, November and February during the year and conducted, among others, 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. Cheng Chung Hing and Mr. Cheng Tai Po as Directors in compliance with the Bye-Laws of the Company and the Code; — re-appointment of auditors; — discussion of 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. Matters raised by directors not previously included in an agenda are always allowed to be discussed under AOB.
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 to all directors for all regular Board meetings. Reasonable advance 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 attended all Board meetings and answered questions raised by the Board members.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
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. These minutes are distributed to and available for inspection by Directors/Board committee members upon request.
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 after 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. Such request for advice could either be raised at a Board meeting or 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 Policy to provide insurance cover of legal actions initiated against any of the Directors or members of 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.

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 Chung Hing. Mr. Cheng Chung Hing 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 Chung Hing.
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 meetings serve as a forum where a broad range of strategic and performance matters are openly discussed.

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.

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, 2008, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, both Executive Directors retired from office and were re-elected.

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	Ms. Wong Hung Flavia Yuen Yee was appointed as Executive Director 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 have been and will be provided to all newly appointed directors on the first occasion of their appointment. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other applicable statutory requirements. The Directors have been advised of the amendments to the Listing Rules which took effect January 1, 2009 in writing.
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, financial statements, internal audit reports, the quarterly, interim and final results announcements in the four quarterly regular Audit Committee meetings. It also held several additional Audit Committee meetings during the year to review certain projects and operations of the Company.

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, 2008 to March 31, 2009 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, 2008 to March 31, 2009.

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)*	7/8	N/A	1/1
Cheng Tai Po *(Deputy Chairman)*	8/8	N/A	1/1
Yan Sau Man, Amy	8/8	N/A	N/A
Wong Hung Flavia Yuen Yee (Note 1)	5/5	N/A	N/A
Independent Non-executive Directors			
Lee Kang Bor, Thomas	8/8	6/6	1/1
Kiu Wai Ming	8/8	6/6	1/1
Lau Chi Wah, Alex	7/8	5/6	1/1

Note:

1. Ms. Wong Hung Flavia Yuen Yee was appointed as Executive Director on August 8, 2008.

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.

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.

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: — reviewing and determining the remuneration policy of the Company; — approving the terms of service contracts; — ensuring remuneration packages offered are appropriate 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 April 29, 2008 during which discussions were held and resolutions were passed approving the grant of performance bonus to Executive Directors and members of the senior management of the Company for the year ended March 31, 2008 and performed a review of their remuneration package for the year ended March 31, 2009.

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 adopting 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 to discharge its duties.

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.

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	The Company's Directors and auditors have acknowledged and stated their respective responsibilities on preparation of accounts and issue of auditors' report. Despite the removal of the requirement of a qualified accountant in the Listing Rules effective January 1, 2009, the Accounts Department of the Company continues to fall under the supervision of the qualified accountants of the Company who oversee the Group's financial reporting function and other accounting-related issues.
C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim 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.

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. **C.2.2** The Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	Yes	The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. The Group has set up "whistle blower system" procedures during the year for its employees to raise concerns in confidence or anonymously, about possible breaches of Code of Ethics or regulations to ensure independent investigation of such matters and appropriate follow up action. 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, 2009, 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, 2009 fully complied with the code provision on internal control as set out in the Code.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
		The Group also adopted the framework set by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") which comprises of five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; Monitoring to strengthen the effectiveness of the internal control system in detecting fraud and other irregularities.

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.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
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's financial reporting system and internal control procedures. According to the amended Code Provision C.3.3 effective from January 1, 2009, the terms of reference of the audit committee are required to oversee the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.	Yes	The terms of reference of the Audit Committee covers the mentioned scope of duties stated in this provision of the Code. The terms of reference of the Audit Committee have been modified in accordance with the amended Code Provisions C.3.3 and adopted by the Board effective from February 12, 2009. The auditors have kept the Audit Committee members up to date on recent changes made to the Hong Kong Financial Reporting Standards. The Board, through the Audit Committee with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in June 2009 and noted that the Company is in compliance with the new Listing Rules.
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 have been made available to all the Committee members and board members.

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, 2009. 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, 2008, for the three months ended June 30, 2008, for the six months ended September 30, 2008 and for the nine months ended December 31, 2008;

(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) reviewed and discussed with the management the engagement terms of an external consultant to review and advise on the Group's system of internal control over financial reporting;

(vi) reviewed with the management the implementation of investment policy for enhancing investment risk management;

(vii) discussed with the management the factors affecting the decline in pearl business and reviewed the Group's inventory and accounts receivable policies;

(viii) 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 operational results, profitability and cashflow of the project, and critically assessed its debt level, financial ratios, operational and cashflow projections;

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

(x) reviewed the independence of the external auditors and audit fee estimate for 2008/09.

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.

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.

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 ("2008 AGM") held on August 1, 2008. 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.
E.1.3 According to a new Code Provision effective from January 1, 2009, the Company should arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	Yes	The Company's notice to shareholders for the annual general meeting of the Company scheduled for July 23, 2009 has complied with the amended Listing Rules.

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 2008 AGM distributed to all shareholders on the shareholders' register. These procedures were also explained during the proceedings of the 2008 AGM. At the 2008 AGM, votes cast were properly counted and recorded.
According to the amendments to the Listing Rule effective from January 1, 2009, any vote of shareholders at a general meeting must be taken by poll.	Yes	All the resolutions put to vote at the Company's general meetings will be taken by poll.

Auditors' Remuneration

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

During the year, the Group has engaged Grant Thornton on audit services in connection with the audit of the consolidated financial statements;

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

The remuneration for the audit services provided by Grant Thornton to the Group during the year ended March 31, 2009 was as follows:

Type of services	**Amount** HK$'000
Audit	1,260
Other services	—
Total:	1,260

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.

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 2008 AGM of the Company held on August 1, 2008 to answer shareholders' questions.

Resolutions were proposed at 2008 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 2008 annual report. Details of the proposed resolutions have also been set out in the circular.

The Group has voluntarily adopted a quarterly reporting practice since its listing on the Stock Exchange of Hong Kong Limited in 1997. Such a practice has improved the transparency in the Group's 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 operation 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 Independent Auditors' Report 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 for the purpose of 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, 2009.

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 44 to the financial statements.

Major Customers and Suppliers

For the year ended March 31, 2009, the aggregate amount of sales from the five largest customers accounted for 42% (2008: 27%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 50% (2008: 57%) 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, 2009 are set out in the consolidated income statement on page 59 of this Annual Report. The directors do not recommend the payment of a dividend.

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 31 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.

Distributable Reserves of the Company

The distributable reserves of the Company as at March 31, 2009 calculated under Companies Act of Bermuda amounted to HK$125,911,000.

Reserves

Details of the movements in reserves of the Company during the year are set out in note 35 to the financial statements.

Directors' Report

Share Capital

Details of the movements on share capital of the Company are set out in note 33 to the financial statements.

Donations

Donations made by the Group during the year amounted to HK$660,000.

Five-year Financial Summary

A five-year financial summary of the Group is set out on page 126.

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)*
Miss Yan Sau Man, Amy
Ms. Wong Hung Flavia Yuen Yee (Appointed on August 8, 2008)

Independent Non-executive Directors
Mr. Lee Kang Bor, Thomas
Mr. Kiu Wai Ming
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, Ms. Wong Hung Flavia Yuen Yee, Miss Yan Sau Man, Amy and Mr. Lee Kang Bor, Thomas retire by rotation and, being eligible, offer themselves for re-election.

Directors' Service Agreement

Mr. Cheng Chung Hing, Mr. Cheng Tai Po and Miss Yan Sau Man, Amy have 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.

Ms. Wong Hung Flavia Yuen Yee has entered into a service agreement with the Company for a fixed term of three years from August 8, 2008 until terminated by not less than two months' notice in writing served by either giving to the other.

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 23 to 24.

Directors' Interests in Contracts

Save as disclosed above and under the section headed "Connected Transactions" and "Continuing 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$39,000 to China South City Holdings Limited, a company in which Messrs. Cheng Chung Hing and Cheng Tai Po, Directors, have beneficial interests.

Continuing Connected Transactions

The following Sharing of Office Agreement was entered into by Man Sang Jewellery Company Limited ("Man Sang Jewellery"), a wholly owned subsidiary of the Company and China South City Holdings Limited ("China South City") which is deemed as a connected person of the Company as the Stock Exchange of Hong Kong Limited has exercised its discretion under 14A.06 of the Listing Rules.

Connected person	**Date of agreement**	**Terms**	**Shared Premises**	**Consideration for the year ended March 31, 2009**
China South City	July 1, 2008	3 years commencing on July 1, 2008 to March 16, 2011 (both days inclusive)	Suite 2205, 22/F Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong with a total floor area of approximately 3,873 square feet.	HK$1,412,000 (Note a)

Note:

(a) The annual consideration is based on monthly rental fees of HK$147,367.65 (inclusive of management fees and air-conditioning fees, but exclusive of utilities fees and government rates).

Rental fees, management fees, air-conditioning fees and utilities fees payable by China South City to the Company under the Sharing of Office Agreement are calculated on a pro-rata basis based on the total floor area of the Shared Premises over the total floor area of the Premises rented by Man Sang Jewellery.

Announcement was published on July 2, 2008 regarding the Continuing Connected Transactions in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that for the fiscal year 2009 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors and confirmed that for the fiscal year 2009 the Continuing Connected Transactions (i) have received approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iii) have not exceeded the respective cap amounts for the financial year ended March 31, 2009 as set out in the Announcement.

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 34 to the financial statements.

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

Grantees	Date of grant	Exercisable period	Vesting period	Exercise Price HK$	Balance at April 1, 2008	Changes during the year: Granted during the year	Exercised during the year	Lapsed during the year	Balance at March 31, 2009	Notes
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), (2)
Mr. Cheng Tai Po	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1), (2)
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), (2)
					12,000,000	—	—	—	12,000,000	
Other Employees	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	15,000,000	—	—	—	15,000,000	(1), (2)
	September 18, 2006	September 18, 2006 to September 17, 2011	Nil	0.233	7,000,000	—	—	—	7,000,000	(1), (2)
	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	(1), (2)
					27,000,000	—	—	—	27,000,000	
					39,000,000	—	—	—	39,000,000	

Notes:

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

(2) 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, 2009, 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	136,011,273	494,406,000	630,417,273	51.47%
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. ("MHJ"), 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 MHJ 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 MHJ, in which Cafoong holds 53.86% of the common stock and all the Series A preferred stock at March 31, 2009, which totally represent 69.24% of the voting rights of MHJ. Messrs. Cheng Chung Hing and Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong, respectively.

(b) Common stock in an associated corporation — MHJ

Name of Director	Capacity	Number of common stock of US$0.001 each held in MHJ held — Direct interest	Deemed interest (Note 2)	Total interest	Percentage of the common stock of MHJ
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 MHJ at March 31, 2009, which totally represent 69.24% of the voting rights of MHJ. 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, 2009, 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.

Substantial Shareholders

As at March 31, 2009, 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 follows:

		Number of shares held			
Name of shareholder	**Capacity**	**Direct interest**	**Deemed interest**	**Percentage of the common stock of the Company**	**Notes**
MSBVI	Beneficial Owner	494,406,000	—	40.36%	
MHJ	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 MHJ.

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 MHJ at March 31, 2009, represented 69.24% of the voting rights of MHJ.

Save as disclosed above, as at March 31, 2009, 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, 2009.

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, 2009.

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

The Company's financial statements for the year ended March 31, 2007 were audited by Moores Rowland. On June 1, 2007, Moores Rowland amalgamated their practice with Grant Thornton. Grant Thornton has been appointed as auditors of the Company since the fiscal year 2008 who retire in the forthcoming Annual General Meeting ("AGM") and, being eligible, to offer themselves for re-appointment.

Purchase, Redemption or Sale of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2009.

Directors' Report

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 proactive 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, but they are subject to retirement and re-election in each AGM 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 11, 2009

Independent Auditors' Report

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 125, which comprise the consolidated and the Company's balance sheets as at March 31, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the 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.

Independent Auditors' Report

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 of the Group as at March 31, 2009 and of the Group's loss and cash flows 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 11, 2009

Consolidated Income Statement

For the year ended March 31, 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	7	**359,734**	640,493
Cost of sales		**(226,422)**	(363,483)
Gross profit		**133,312**	277,010
Investment income	9	**10,374**	18,233
Other operating income	10	**4,467**	6,854
Selling expenses		**(21,043)**	(24,172)
Administrative expenses		**(122,316)**	(95,600)
Other operating expenses	11	**(3,470)**	(47,295)
(Decrease)/increase in fair value of investment properties		**(181,638)**	454,914
Net unrealized (loss)/gain on financial assets at fair value through profit or loss		**(5,342)**	613
Share of loss of an associate		**(53)**	(7)
(Loss)/Profit before taxation	12	**(185,709)**	590,550
Taxation	14	**50,765**	(186,921)
(Loss)/Profit for the year		**(134,944)**	403,629
(Loss)/Profit attributable to:			
Equity shareholders	15	**(72,336)**	232,375
Minority interests		**(62,608)**	171,254
		(134,944)	403,629
Dividends	16	**—**	36,742
(Loss)/Earnings per share			
Basic	17	**(5.91) cents**	20.22 cents
Diluted		**N/A**	19.53 cents

Consolidated Balance Sheet

As at March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	18	**845,384**	952,867
Properties under development	19	**201,328**	123,768
Property, plant and equipment	20	**40,158**	121,530
Prepaid land lease payments	21	**27,776**	30,502
Interest in an associate	22	**52**	105
Deferred tax assets	24	**—**	175
		1,114,698	1,228,947
Current assets			
Inventories	25	**41,942**	49,395
Completed properties held for sale	26	**179,619**	182,426
Trade and other receivables	27	**226,553**	253,146
Financial assets at fair value through profit or loss	28	**18,619**	5,411
Tax receivable		**3,479**	5,172
Restricted cash	37	**17,000**	—
Cash and cash equivalents	29	**462,766**	587,602
		949,978	1,083,152
Current liabilities			
Trade and other payables	30	**439,456**	462,233
Taxation		**68,507**	71,266
Bank borrowings (secured) — current portion	31	**90,400**	33,300
		598,363	566,799
Net current assets		**351,615**	516,353
Total assets less current liabilities		**1,466,313**	1,745,300
Non-current liabilities			
Due to an immediate holding company	32b	**—**	2,352
Deferred tax liabilities	24	**102,192**	150,807
Bank borrowings (secured)	31	**101,700**	166,500
		203,892	319,659
Net assets		**1,262,421**	1,425,641

Consolidated Balance Sheet

As at March 31, 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	33	**122,474**	122,474
Reserves		**991,254**	1,062,057
Proposed final dividend		—	36,742
		991,254	1,098,799
Total equity attributable to equity shareholders		**1,113,728**	1,221,273
Minority interests		**148,693**	204,368
Total equity		**1,262,421**	1,425,641

The financial statements on pages 59 to 125 were approved and authorized for issue by the Board of Directors on June 11, 2009 and are signed on its behalf by:

Cheng Chung Hing
Executive Director

Cheng Tai Po
Executive Director

Balance Sheet

As at March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	23	**355,831**	600,261
Deferred tax assets	24	**9**	9
		355,840	600,270
Current assets			
Other receivables		**258**	301
Financial assets at fair value through profit or loss	28	**10,559**	5,411
Tax receivable		**115**	438
Due from subsidiaries	32a	**173,558**	—
Cash and cash equivalents	29	**40,367**	22,057
		224,857	28,207
Current liability			
Other payables		**573**	550
Net current assets		**224,284**	27,657
Total assets less current liability		**580,124**	627,927
Non-current liabilities			
Due to an immediate holding company	32b	**6,284**	6,284
Net assets		**573,840**	621,643
Capital and reserves			
Share capital	33	**122,474**	122,474
Reserves		**451,366**	462,427
Proposed final dividend		**—**	36,742
	35	**451,366**	499,169
		573,840	621,643

The financial statements on pages 59 to 125 were approved and authorized for issue by the Board of Directors on June 11, 2009 and are signed on its behalf by:

Cheng Chung Hing
Executive Director

Cheng Tai Po
Executive Director

Consolidated Cash Flow Statement

For the year ended March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating Activities			
(Loss)/Profit before taxation		**(185,709)**	590,550
Adjustments for:			
Interest income		**(9,729)**	(17,297)
Depreciation of property, plant and equipment		**9,813**	9,474
Amortization of prepaid land lease payments		**743**	764
Share of loss of an associate		**53**	7
Share-based payment		**—**	1,290
Decrease/(Increase) in fair value on investment properties		**181,638**	(454,914)
Loss/(Gain) on disposal of an investment property		**2,337**	(5,600)
Revaluation increase on buildings		**(240)**	(77)
Gain on disposal of property, plant and equipment		**(1,537)**	(30)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss		**5,342**	(613)
Loss/(Gain) on disposal of financial assets at fair value through profit or loss		**3,470**	(685)
Dividends received		**(645)**	(251)
Allowance for/(Recovery of) bad and doubtful debts		**27,478**	(5,303)
Impairment loss on goodwill		**—**	47,295
Operating cash flow before movements in working capital		**33,014**	164,610
Decrease/(Increase) in inventories		**7,771**	(2,153)
Decrease in completed properties held for sales		**2,736**	64,435
Decrease/(Increase) in trade and other receivables		**47,787**	(118,874)
(Decrease)/Increase in trade and other payables		**(28,501)**	230,792
Cash generated from operations		**62,807**	338,810
Hong Kong Profits Tax paid		**(82)**	(7,047)
Hong Kong Profits Tax refunded		**273**	818
Overseas tax paid		**(1,555)**	(145)
Net cash generated from operating activities		**61,443**	332,436

Consolidated Cash Flow Statement

For the year ended March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Investing Activities			
Acquisition of subsidiaries		**—**	85,291
Receivable from sale of financial assets contract		**(39,608)**	—
Purchase of property, plant and equipment		**(8,567)**	(7,333)
Additions for properties under development		**(76,830)**	(465,695)
Proceeds from disposals of an investment property		**13,963**	25,000
Purchases of financial assets at fair value through profit or loss		**(101,975)**	(13)
Proceeds from disposals of property, plant and equipment		**5,345**	32
Proceeds from disposals of financial assets at fair value through profit or loss		**79,955**	4,250
Investment cost in an associate		**—**	(112)
Dividends received		**645**	251
Increase in restricted cash		**(17,000)**	—
Interest received		**9,729**	17,297
Net cash used in investing activities		**(134,343)**	(341,032)
Financing Activities			
Issue of new shares		**—**	290,370
Proceeds from bank borrowings		**22,600**	66,600
Repayments of bank borrowings		**(33,900)**	(22,200)
Decrease in advance from an immediate holding company		**(2,352)**	(15,564)
Increase in amount due from immediate holding company		**(3,362)**	—
Dividends paid		**(36,742)**	(36,112)
Net cash (used in)/generated from financing activities		**(53,756)**	283,094
Net (decrease)/increase in cash and cash equivalents		**(126,656)**	274,498
Cash and cash equivalents at the beginning of the year		**587,602**	296,426
Effect of foreign exchange rate changes		**1,820**	16,678
Cash and cash equivalents at the end of the year	29	**462,766**	587,602

Consolidated Statement of Changes in Equity

For the year ended March 31, 2009

The Group	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve (Note a) HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	General reserve (Note b) HK$'000	Retained profits (Note c) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
	Attributable to equity holders of the Company										
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 recognized 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 recognized income and expenses for the year	—	—	—	—	45,408	19,833	—	232,375	297,616	214,410	512,026
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
Dividends paid	—	—	—	—	—	—	(36,112)	—	(36,112)	—	(36,112)
Transfer to retained profits upon disposal of the properties	—	—	—	—	(4,039)	—	—	4,039	—	—	—
Balance at March 31, 2008	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)	703,790	1,221,273	204,368	1,425,641

Consolidated Statement of Changes in Equity

For the year ended March 31, 2009

The Group	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve (Note a) HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	General reserve (Note b) HK$'000	Retained profits (Note c) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
	Attributable to equity holders of the Company										
Balance at April 1, 2008	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)	703,790	1,221,273	204,368	1,425,641
Revaluation loss of leasehold land and building	—	—	—	—	(9,938)	—	—	—	(9,938)	—	(9,938)
Deferred tax liability arising from revaluation loss of leasehold land and building	—	—	—	—	2,111	—	—	—	2,111	—	2,111
Effect of change in tax rates for deferred tax	—	—	—	—	(133)	—	—	—	(133)	—	(133)
Exchange difference arising from translation of financial statements of overseas operation	—	—	—	—	(590)	10,083	—	—	9,493	6,933	16,426
Net income recognized directly in equity	—	—	—	—	(8,550)	10,083	—	—	1,533	6,933	8,466
Loss for the year	—	—	—	—	—	—	—	(72,336)	(72,336)	(62,608)	(134,944)
Total recognized income and expenses for the year	—	—	—	—	(8,550)	10,083	—	(72,336)	(70,803)	(55,675)	(126,478)
Release on depreciation of leasehold land and buildings	—	—	—	—	(1,163)	—	—	1,163	—	—	—
Dividends paid	—	—	—	—	—	—	(36,742)	—	(36,742)	—	(36,742)
Transfer to retained profits upon disposal of the properties	—	—	—	—	(756)	—	—	756	—	—	—
Balance at March 31, 2009	**122,474**	**319,787**	**1,801**	**5,668**	**66,483**	**36,996**	**(72,854)**	**633,373**	**1,113,728**	**148,693**	**1,262,421**

Notes:

(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$11,818,000 (2008: HK$9,852,000) reserved by the subsidiaries in the People's Republic of China ("PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

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 NYSE Amex (formerly known as "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. Summary of 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 effective for accounting periods beginning on or after April 1, 2008. 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 as explained in the accounting policies set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2. Summary of Significant Accounting Policies (Continued)

(c) Basis of consolidation

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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.

2. Summary of Significant Accounting Policies (Continued)

(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.

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

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 recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods. On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized 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"). 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 recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2. Summary of Significant Accounting Policies (Continued)

(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 derecognized 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 derecognized.

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.

2. Summary of Significant Accounting Policies (Continued)

(h) Property, plant and equipment (Continued)

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.

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
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. Residual values, useful lives and depreciation methods are reviewed at each balance sheet date.

An item of property, plant and equipment is derecognized 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 derecognized.

2. Summary of Significant Accounting Policies (Continued)

(i) Properties under development

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost less any identified impairment losses until construction or development is complete, at which time it is reclassified as investment property. Costs comprise construction costs, borrowing costs capitalized, amortization of land use rights and professional fees incurred during the development period.

(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 realizable value.

Cost comprizes development costs attributable to the unsold properties.

Net realizable 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.

(l) Financial instruments

Financial assets and financial liabilities are recognized 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 recognized 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 recognized and derecognized 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.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortized 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.

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 recognized directly in profit or loss in the period in which they arise. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognized in accordance with the Group's policies in note 2(q) to these financial statements.

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 amortized cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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 amortized cost, an impairment loss is recognized 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.

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 recognized 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 recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in consolidated income statement of the period in which the reversal occurs.

For financial assets measured at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortized 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.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortized 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 recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognized 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 recognized directly in equity is recognized 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Derecognition (Continued)

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized 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 assets to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. 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 recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized 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.

2. Summary of Significant Accounting Policies (Continued)

(p) Provisions, contingent liabilities and contingent assets

Provisions are recognized 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.

(q) Revenue recognition

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.

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.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

(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.

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.

2. Summary of Significant Accounting Policies (Continued)

(s) Share-based payments (Continued)

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.

(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 recognized 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 recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary 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 recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

2. Summary of Significant Accounting Policies (Continued)

(t) Foreign currency translation (Continued)

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 recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized 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 recognized 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.

Deferred tax is recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized 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 recognized 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.

2. Summary of Significant Accounting Policies (Continued)

(u) Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, 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 capitalized as part of the cost of those assets. Capitalization 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 capitalization.

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

(y) Government grants

Government grants are recognized as income over the periods necessary to match with the related costs. If the grants do not relate to any specific expenditure incurred by the Group, they are reported separately as other operating income. If the grants subsidize an expense incurred by the Group, they are deducted in reporting the related expenses. Grants relating to depreciate assets are presented as a deduction from the cost of the relevant assets.

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 effective for the Group's financial year beginning on April 1, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the Group's financial statements. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised HKFRSs that have been issued at the date of authorisation of these financial statements but are not yet effective in the current financial year:

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKAS 1 (Revised)	Presentation of Financial Statements[5]
HKAS 1, HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[5]
HKAS 23 (Revised)	Borrowing costs[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[7]
HKAS 39 (Amendment)	Eligible Hedged Items[7]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate[5]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[5]
HKFRS 3 (Revised)	Business Combinations[7]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[5]
HKFRS 8	Operating Segments[5]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2008[4]
HK (IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK (IFRIC) — Int 13	Customer Loyalty Programmes[2]
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate[5]
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK (IFRIC) — Int 17	Distribution of Non-cash Assets to Owner[7]
HK (IFRIC) — Int 18	Transfer of Assets from Customers[8]

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

[1] Effective for annual periods beginning on or after January 1, 2010, unless otherwise stated in the specific HKFRS

[2] Effective for annual periods beginning on or after July 1, 2008

[3] Effective for annual periods beginning on or after October 1, 2008

[4] Generally effective for annual periods beginning on or after January 1, 2009 unless otherwise stated in the specific HKFRS

[5] Effective for annual periods beginning on or after January 1, 2009

[6] Effective for annual periods beginning on or after June 30, 2009

[7] Effective for annual periods beginning on or after July 1, 2009

[8] Effective for transfers of assets from customers received on or after July 1, 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

HKAS 1 (Revised) Presentation of financial statements

The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 3 (Revised) Business Combination

The standard is applicable for business combinations occurring in reporting periods beginning on or after July 1, 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires the use of purchase method and will have a significant effect on business combinations occurring in reporting periods beginning on or after July 1, 2009.

HKFRS 8 Operating Segments

This standard replaces HKAS 14 "Segment reporting". The accounting policy for identifying segments could be based on internal management reporting information that is regularly reviewed by the Group's chief operating decision maker. In contrast HKAS 14 requires the Group to identify two sets of segments (business and geographical) based on the risks and rewards of separating segments. Management anticipates that the adoption of this standard will not affect the identified operating segments of the Group. The new standard will also require a different format of disclosures which would be based on information provided internally to the chief operating decision maker.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Management anticipates that the standard would not result in material impact on the Group's financial statement.

The Group is in the process of assessing the impact of the other new or revised HKFRSs upon initial application but is not yet in a position to state whether they would have material impact on the Group's financial statements.

4. 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 recognized 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.

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.

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 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 respectively. 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.

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.

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 competitors' 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.

Completed properties held for sale

Management performs a regular review on the carrying amounts of completed properties held for sale. Based on management's review, write-down of completed properties held for sale will be made when the estimated net realizable value has declined below the carrying amount. In determining the net realizable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

4. Key Sources of Estimation Uncertainty (Continued)

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.

During an acquisition of subsidiaries, the carrying amount of goodwill was HK$47 million, however, after an impairment testing, the goodwill was fully written off as at March 31, 2008. Details of the goodwill movement are provided in note 36.

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 31, 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 or the adjustment of dividends paid to shareholders.

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 restricted cash, bank balances and cash. The gearing ratios as at March 31, 2009 and 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Shareholders' equity	**1,113,728**	1,221,273
Bank borrowings	**192,100**	199,800
Restricted cash	**(17,000)**	—
Cash and cash equivalents	**(462,766)**	(587,602)
Net borrowings	**(287,666)**	(387,802)
Gearing ratio	**—**	—
Bank borrowings		
Current portion	**90,400**	33,300
Non-current portion	**101,700**	166,500
	192,100	199,800

The Group aims to maintain the gearing ratio at the reasonable level.

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 States Dollars ("US$"). These currencies are not the functional currencies of the group entities to which these balances relate. The Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the group entities. The Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Most of the Group's business transactions including sales and purchases are denominated in Hong Kong dollars ("HK$") 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. The analysis assumes a 10% increase and decrease in RMB against the HK$, with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit after taxation and accumulated profits where HK$ 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 of outstanding on RMB receivables, payables and bank borrowings at the year end in the Group.

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:

	2009 Totals HK$'000	2008 Totals HK$'000
Financial assets	**18,272**	4,768
Financial liabilities	**(1,553)**	(1,992)
Net exposure	**16,719**	2,776
Decrease in profit after taxation	**(1,672)**	(278)

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to bank deposits and variable-rate bank borrowings (see note 31 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 analysis 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, 2008.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after taxation for the year ended March 31, 2009 would increase or decrease but accumulated profits as at March 31, 2009 would decrease or increase by approximately HK$4,798,000, and the Group's profit after taxation for the year ended March 31, 2008 and accumulated profits as at March 31, 2008 would decrease or increase by approximately HK$5,876,000. All interest costs were capitalized as property under development for the years ended March 31, 2009 and 2008, changes in interest rate did not impact on the loss/profit after taxation and accumulated profits for both years accordingly.

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 analysis 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 loss on financial assets at fair value through profit or loss, loss after taxation for the year ended March 31, 2009 will decrease or increase but the accumulated profits as at March 31, 2009 will increase or decrease by approximately HK$1,862,000 as a result of the changes in fair value of financial assets at fair value through profit or loss; 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.

b) Credit risk

As at March 31, 2009, 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 recognized financial assets as stated below:

	2009	2008
	HK$'000	HK$'000
Trade receivables	**98,649**	165,436
Receivable from sale of financial assets contracts (Note a)	**39,608**	—
Due from an immediate holding company	**3,362**	—
Other receivables	**19,151**	25,044
Restricted cash	**17,000**	—
Cash and cash equivalents	**462,766**	587,602
	640,536	778,082

Note:

(a) The full amount of receivable was received immediately after the year ended March 31, 2009.

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.

6. Financial Risk Management Objectives and Policies (Continued)

b) Credit risk (Continued)

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 12% (2008: 10%) and 46% (2008: 33%) of the total trade receivables was 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.

The credit risk on liquid funds and receivable from sale of financial assets contracts 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 utilization of bank borrowings and ensures compliance with loan covenants.

As at March 31, 2009 and 2008, the Group's financial liabilities have contractual maturities which are summarized below:

	2009			2008		
	Current Within one year HK$'000	**Non-current After one but within two years HK$'000**	**Non-current After two but within five years HK$'000**	Current Within one year HK$'000	Non-current After one but within two years HK$'000	Non-current After two but within five years HK$'000
Trade and other payables	**391,329**	**—**	**—**	409,772	—	—
Bank borrowings (secured)	**100,325**	**106,071**	**—**	46,032	74,938	102,847
	491,654	**106,071**	**—**	455,804	74,938	102,847

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

6. Financial Risk Management Objectives and Policies (Continued)

d) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognized at March 31, 2009 and 2008 may be categorized as follows. See note 2 for explanations about how the category of financial instruments affects their subsequent measurement.

	2009 HK$'000	2008 HK$'000
Current assets		
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss — Trading Securities	**18,619**	5,411
Loan and receivables:		
Trade receivables	**98,649**	165,436
Due from an immediate holding company	**3,362**	—
Receivable from sale of financial assets contracts (Note a)	**39,608**	—
Other receivables	**19,151**	25,044
Restricted cash	**17,000**	—
Cash and cash equivalents	**462,766**	587,602
	659,155	783,493
Current liabilities		
Financial liabilities measured at amortized cost:		
Trade and other payables	**391,329**	409,772
Bank borrowings (secured) — current portion	**90,400**	33,300
	481,729	443,072
Non-current liabilities		
Financial liabilities measured at amortized cost:		
Due to an immediate holding company	**—**	2,352
Bank borrowings (secured) — non-current portion	**101,700**	166,500
	101,700	168,852

Note:

(a) The full amount of receivable was received immediately after the year ended March 31, 2009.

6. Financial Risk Management Objectives and Policies (Continued)

e) Fair value estimation

The fair value of financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade and other receivables, and trade and other payables is a reasonable approximation of its fair value. The fair value of interest bearing borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values are based on cash flows discounted based on the rate of 11% (2008: Nil)

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, (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.

	2009	2008
	HK$'000	HK$'000
Sales of pearls and jewelry	**316,703**	405,444
Sales of properties	**16,435**	228,247
Rental income	**26,596**	6,802
	359,734	640,493

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.

Business segments

For management purposes, the Group is currently organized into two operating segments — (i) pearls and jewelry, and (ii) 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.

8. Business and Geographical Segments (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

Income statement for the year ended March 31, 2009

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals	316,703	43,031	359,734
Results			
Segment results	11,779	(196,589)	(184,810)
Unallocated other operating income and investment income			14,841
Unallocated corporate expenses			(15,740)
Loss before taxation			(185,709)
Taxation			50,765
Loss for the year			(134,944)

Balance sheet as at March 31, 2009

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Non-current assets				
Investment properties	—	845,384	—	845,384
Properties under development	—	201,328	—	201,328
Interest in an associate	—	52	—	52
Other non-current assets	13,805	19,470	34,659	67,934
Total of non-current assets	13,805	1,066,234	34,659	1,114,698
Current assets	295,885	323,352	330,741	949,978
Consolidated total assets	309,690	1,389,586	365,400	2,064,676
Non-current liabilities	—	—	203,892	203,892
Current liabilities	37,821	401,563	158,979	598,363
Consolidated total liabilities	37,821	401,563	362,871	802,255

8. Business and Geographical Segments (Continued)

Business segments (Continued)

Other information for the year ended March 31, 2009

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Unallocated-corporate HK$'000	Consolidated HK$'000
Capital additions	**8,531**	**76,866**	**—**	**85,397**
Depreciation of property, plant and equipment	**8,686**	**1,026**	**101**	**9,813**
Amortization of prepaid land lease payments	**—**	**8**	**735**	**743**
Provision of bad and doubtful debts	**6,733**	**20,745**	**—**	**27,478**
Decrease in fair value of investment properties	**—**	**181,638**	**—**	**181,638**
Revaluation gain on buildings	**—**	**—**	**240**	**240**
Net unrealised loss on financial assets at fair value through profit or loss	**—**	**—**	**5,342**	**5,342**
Inventories written off	**5,708**	**—**	**—**	**5,708**

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 expenses			(8,064)
Profit before taxation			590,550
Taxation			(186,921)
Profit for the year			403,629

8. Business and Geographical Segments (Continued)

Business 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
Total of non-current assets	83,975	1,110,180	34,792	1,228,947
Current assets	198,767	439,393	444,992	1,083,152
Consolidated total assets	282,742	1,549,573	479,784	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 unrealised gain on financial assets at fair value through profit or loss	—	—	613	613
Inventories written off	19,386	—	—	19,386
Impairment of goodwill	—	47,295	—	47,295

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, 2009 HK$'000	Year ended March 31, 2008 HK$'000	**Year ended March 31, 2009 HK$'000**	Year ended March 31, 2008 HK$'000
Hong Kong	**15,966**	27,433	**(98)**	14,676
North America	**69,945**	104,185	**2,374**	13,073
Europe	**152,957**	168,616	**5,146**	21,467
PRC (excluding Hong Kong)	**43,030**	249,650	**(194,866)**	519,315
Other Asian countries	**52,194**	63,729	**1,777**	7,778
Others	**25,642**	26,880	**857**	3,382
	359,734	640,493	**(184,810)**	579,691
Unallocated other operating income			**14,841**	18,923
Unallocated corporate expenses			**(15,740)**	(8,064)
(Loss)/Profit before taxation			**(185,709)**	590,550

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, 2009 HK$'000	Year ended March 31, 2008 HK$'000	**Year ended March 31, 2009 HK$'000**	Year ended March 31, 2008 HK$'000
Hong Kong	**346,738**	289,046	**6,509**	3,749
PRC (excluding Hong Kong)	**1,395,644**	1,606,197	**78,888**	469,279
	1,742,382	1,895,243	**85,397**	473,028

9. Investment Income

	2009 HK$'000	2008 HK$'000
Interest income on financial assets stated at amortized cost	**9,729**	17,297
Dividends received from financial assets at fair value through profit or loss	**645**	251
Gain on disposals of financial assets at fair value through profit or loss	**—**	685
	10,374	18,233

10. Other Operating Income

	2009 HK$'000	2008 HK$'000
Gain on disposals of property, plant and equipment	**1,537**	30
Gain on disposal of an investment property	**—**	5,600
Revaluation gain on buildings	**240**	77
Government grants	**1,590**	—
Others	**1,100**	1,147
	4,467	6,854

11. Other Operating Expenses

	2009 HK$'000	2008 HK$'000
Impairment loss on goodwill	**—**	47,295
Loss on disposals of financial assets at fair value through profit or loss	**3,470**	—
	3,470	47,295

12. (Loss)/Profit Before Taxation

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

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

	2009 HK$'000	2008 HK$'000
Salaries, wages and other benefits	**63,295**	54,998
Contribution to defined contribution retirement plans	**2,089**	1,524
Share-based payments	**—**	1,290
	65,384	57,812

(b) Other items

	2009 HK$'000	2008 HK$'000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**16,726**	16,608
Less: Amount capitalized	**(16,726)**	(16,608)
	—	—
Provision for/(recovery of) bad and doubtful debts	**27,478**	(5,303)
Auditors' remuneration		
— Provision for current year	**1,260**	1,150
— Under provision in prior year	**79**	206
Costs of inventories and completed properties for sales	**226,422**	363,483
Inventories written off	**5,708**	19,386
Depreciation of property, plant and equipment	**9,813**	9,474
Amortization of prepaid land lease payments	**743**	764
Loss on disposals of investment properties	**2,337**	—
Net foreign exchange losses	**465**	2,921
Operating lease charges:		
Hire of motor vehicle	**—**	209
Premises	**14,012**	8,581
Rental income from investment properties under operating leases (net of outgoings of HK$106,000 (2008: HK$171,000))	**(26,490)**	(6,631)

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	Other benefits (Note a)	2009 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive:						
Mr. Cheng Chung Hing	—	3,000	—	12	1,624	4,636
Mr. Cheng Tai Po	—	3,600	—	12	23	3,635
Ms. Yan Sau Man, Amy	—	1,800	1,200	12	—	3,012
Ms. Wong Hung Flavia Yuen Yee	—	1,290	—	8	—	1,298
Independent non-executive:						
Mr. Lee Kang Bor, Thomas	170	—	—	—	—	170
Mr. Lau Chi Wah, Alex	150	—	—	—	—	150
Mr. Kiu Wai Ming	170	—	—	—	—	170
	490	9,690	1,200	44	1,647	13,071

	Fees	Salaries and other allowances	Performance related incentive payment	Retirement benefit contributions	Other benefits (Note a)	2008 Total
	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	170	—	—	—	—	170
	490	8,400	1,600	36	1,535	12,061

Note:

(a) Other benefits consist of approximate ratable value of a property for accommodation and others.

13. Directors' and Employees' Remuneration (Continued)

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group for the year include four (2008: three) were directors of the Company whose emoluments are set out in note 13(a) above. The emolument of the remaining one (2008: two) individual is as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other allowances	**1,950**	2,746
Retirement benefits contributions	**12**	22
Share based payments	**—**	1,290
	1,962	4,058

The emolument of the one (2008: two) is within the following bands:

	No. of employees	
	2009	2008
HK$500,001 to HK$1,000,000	**—**	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, 2009 and 2008, 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, 2009 and 2008, no director waived any emoluments.

14. Taxation

	2009 HK$'000	2008 HK$'000
Current income tax:		
Hong Kong Profits tax	**1,720**	1,515
PRC Enterprise income tax	**80**	14,874
Land appreciation tax	**3,216**	53,257
	5,016	69,646
(Over)/Under provision in prior year:		
Hong Kong	**—**	1,153
PRC	**(5,363)**	—
	(5,363)	1,153
Deferred income tax:		
Charge to current year	**263**	118,905
Credit to current year	**(51,538)**	(3,673)
Attributable to change in tax rate	**857**	890
	(50,418)	116,122
	(50,765)	186,921

On March 16, 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC 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 Implementation Regulations of the New Law which changed the tax rates either from 33% to 25%, or from 15% to 25% progressively from January 1, 2008. Income taxes for the subsidiaries in the PRC are calculated at rates of 18% and 25% (2008: 15% and 25%) of the estimated assessable profit for the year.

Hong Kong Profits Tax is calculated at a rate of 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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.

14. Taxation (Continued)

The (credit)/charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/profit before taxation	**(185,709)**	590,550
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**(30,642)**	103,346
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(17,122)**	37,368
Tax effect of land appreciation tax	**(530)**	(9,320)
Tax effect of change in tax rate	**857**	890
Tax effect of expenses that are not deductible in determining taxable profit	**891**	3,428
Tax effect of income that is not taxable in determining taxable profit	**(3,826)**	(4,632)
Tax effect of utilization of tax loss not previously recognized	**(248)**	(561)
Tax effect of recognition of temporary difference not previously recognized	**713**	1,847
Tax effect of additional tax loss not recognized	**1,267**	77
(Over)/under provision in prior year	**(5,363)**	1,153
Others	**22**	68
	(53,981)	133,664
Land appreciation tax	**3,216**	53,257
Tax (benefit)/expense for the year	**(50,765)**	186,921

Details of the deferred taxation are set out in note 24 to the financial statements.

15. (Loss)/Profit Attributable to Equity Shareholders of the Company

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$11,061,000 (2008: HK$714,000) which has been dealt with in the financial statements of the Company.

16. Dividends

	2009 HK$'000	2008 HK$'000
Proposed final dividend — HK$Nil cents per share (2008: HK3 cents per share)	**—**	36,742

No dividend has been declared for the year ended March 31, 2009 (2008: HK$36,742,000).

17. (Loss)/Earnings Per Share

The calculation of the basic loss/earnings per share is based on the loss attributable to equity shareholders for the year of HK$72,336,000 (2008: profit attributable to equity shareholders of HK$232,375,000) and on the weighted average number of 1,224,740,000 shares (2008: 1,149,011,000 shares) in issue during the year.

No diluted loss per share has been presented for the year ended March 31, 2009 because the impact of an exercise of the share options was anti-dilutive. Diluted earnings per share for the year ended March 31, 2008 was calculated based on the profit attributable to equity shareholders for the year of HK$232,375,000 and on the adjusted weighted average number of 1,189,772,000 shares which was 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 deemed to be issued at no consideration if all outstanding options had been exercised.

18. Investment Properties

	The Group	
	2009	2008
	HK$'000	HK$'000
At fair value		
At the beginning of the year	**952,867**	96,820
Currency realignment	**19,666**	15,533
Disposal during the year	**(16,300)**	(19,400)
Transferred from properties under development	**—**	405,000
Transferred from completed properties for sales	**2,013**	—
Transferred from leasehold properties	**68,776**	—
(Decrease)/increase in fair value	**(181,638)**	454,914
At the end of the year	**845,384**	952,867

The Group's investment properties at March 31, 2009 were revalued by BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, independent firms of professional property valuers, on market value basis, at HK$845,384,000 (2008: HK$952,867,000). The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalization of net income. The decrease in fair value amounted to HK$181,638,000 of the investment properties has been charged to the income statement (2008: increase in fair value HK$454,914,000 of investment properties has been credited to the income statement).

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

18. Investment Properties (Continued)

The carrying value of investment properties shown above comprises:

	The Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under long leases	**65,040**	18,740
Land and buildings situated in the PRC and held under medium-term land use rights	**780,344**	934,127
	845,384	952,867

19. Properties Under Development

	The Group	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**123,768**	—
Currency realignment	**730**	14,933
Acquired on acquisition of subsidiaries	**—**	295,000
Additions (including development costs and capitalized expenditure)	**60,104**	449,087
Interest capitalized	**16,726**	16,608
Transferred to completed properties held for sale	**—**	(246,860)
Transferred to investment properties	**—**	(405,000)
At the end of the year	**201,328**	123,768

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

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, 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
Currency realignment	—	17	165	192	75	69	518
Additions	—	—	4,176	2,479	992	920	8,567
Disposals	—	(750)	(9,335)	(380)	(8,061)	(468)	(18,994)
Transferred to investment properties	(62,640)	(6,136)	—	—	—	—	(68,776)
Revaluation decrease	(7,560)	(4,812)	—	—	—	—	(12,372)
At March 31, 2009	**—**	**24,988**	**14,469**	**25,713**	**8,268**	**6,911**	**80,349**
Comprising:							
At cost — 2009	—	—	14,469	25,713	8,268	6,911	55,361
At valuation — 2009	—	24,988	—	—	—	—	24,988
	—	**24,988**	**14,469**	**25,713**	**8,268**	**6,911**	**80,349**
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
Accumulated depreciation							
At April 1, 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
Currency realignment	—	8	102	166	41	28	345
Provided for the year	1,800	1,128	1,602	2,490	1,133	1,660	9,813
Eliminated on disposals	—	(11)	(8,291)	(380)	(8,048)	(439)	(17,169)
Eliminated on revaluation	(1,800)	(874)	—	—	—	—	(2,674)
At March 31, 2009	**—**	**978**	**8,532**	**20,372**	**6,287**	**4,022**	**40,191**
Net book value							
At March 31, 2009	**—**	**24,010**	**5,937**	**5,341**	**1,981**	**2,889**	**40,158**
At March 31, 2008	70,200	35,942	4,344	5,326	2,101	3,617	121,530

20. Property, Plant and Equipment (Continued)

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under medium-term leases	**3,760**	74,560
Land and building situated in the PRC and held under medium-term land use rights	**20,250**	31,582
	24,010	106,142

The Group's leasehold land and buildings at March 31, 2009 were revalued by BMI Appraisals Limited, which is an independent firm of professional property valuers, on market value basis, at HK$24,010,000 (2008: HK$106,142,000). The valuations were arrived at by reference to comparable market transaction. The revaluation decrease arising from revaluation of the leasehold land and buildings amounted to HK$9,698,000 of which HK$9,938,000 has been charged to the other property revaluation reserve and HK$240,000 has been credited to the income statement (2008: Revaluation increase amounted to HK$11,633,000 of which HK$11,556,000 has been credited to the other property revaluation reserve and HK$77,000 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$25,917,000 (2008: HK$53,666,000).

21. Prepaid Land Lease Payments

	The Group	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**30,502**	31,266
Amortization	**(743)**	(764)
Disposals	**(1,983)**	—
At the end of the year	**27,776**	30,502

	The Group	
	2009	2008
	HK$'000	HK$'000
The net book value are analyzed as follows:		
Situated in Hong Kong held under medium-term leases	**27,538**	30,256
Situated in the PRC held under medium-term land use rights	**238**	246
	27,776	30,502

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$743,000 (2008: HK$764,000).

22. Interest in an Associate

	The Group	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**112**	112
Share of post-acquisition loss	**(60)**	(7)
Share of net assets	**52**	105

As at March 31, 2009, 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 years ended March 31, 2009 and 2008 was summarized as follows:

	2009	2008
	HK$'000	HK$'000
Assets	**1,440**	519
Liabilities	**(1,178)**	—
Equity	**262**	519
Group's share of net assets of associate	**52**	105

	For the year ended March 31, 2009 HK$'000	For the year ended March 31, 2008 HK$'000
Turnover	**86**	—
Net loss	**(266)**	(37)
Net loss attributable to the Group	**(53)**	(7)

At March 31, 2009, the Group had interests in the following associate:

Name of Company	**Place of incorporation/ operation**	**Class of shares held**	**Proportion of ownership interest %**	**Principal activities**
Zhuji Pan-Asia Property Management Enterprise Limited*	The People's Republic of China	Registered capital of RMB500,000	20%	Inactive

* *for identification purpose only*

23. Interests in Subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**206,664**	206,664
Due from subsidiaries	**149,167**	393,597
	355,831	600,261

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, 2009 are set out in note 44 to the financial statements.

24. Deferred Taxation

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

	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, 2007	13,292	392	(102)	(4,963)	—	8,619
Net charge/(credit) to income statement for the year	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
Net charge/(credit) to income statement for the year	(46,239)	(1,035)	281	(291)	(3,134)	(50,418)
Net charge to equity for the year	1,978	—	—	—	—	1,978
At March 31, 2009	**105,331**	**(909)**	**(307)**	**(1,372)**	**(551)**	**102,192**
The Company						
At April 1, 2007, March 31, 2008 and 2009	—	—	(9)	—	—	(9)

24. 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	**102,192**	150,807	**—**	—
Deferred tax assets	**—**	(175)	**(9)**	(9)
	102,192	150,632	**(9)**	(9)

At March 31, 2009, the Group has unused tax losses of HK$17,122,000 (2008: HK$10,945,000) available for offset against future profits, and a deferred tax asset has been recognized in respect of HK$1,860,000 (2008: HK$3,360,000) of such losses. No deferred tax asset has been recognized in respect to the total HK$15,262,000 (2008: HK$7,585,000) due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At March 31, 2009, the Group also has deductible temporary differences of HK$26,463,000 (2008: HK$21,125,000) attributable to unrealized profit in inventories. A deferred tax asset has been recognized in respect of HK$7,426,000 (2008: HK$6,732,000) of such deductible temporary differences. No deferred tax asset has been recognized in respect of the remaining HK$19,037,000 (2008: HK$14,393,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

25. Inventories

	The Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**12,610**	14,418
Work in progress	**3,306**	8,650
Finished goods	**26,026**	26,327
	41,942	49,395

The amount of inventories, included in above, carried at net realizable value is HK$38,007,000 (2008: HK$43,651,000).

26. 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.

27. Trade and Other Receivables

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables, net of allowance for doubtful debts	**98,649**	165,436
Receivable from sale of financial assets contracts (Note a)	**39,608**	—
Due from an immediate holding company (Note b)	**3,362**	—
Deposits, prepayments and other debtors	**84,934**	87,710
	226,553	253,146

Notes:

a) The full amount of receivable was received immediately after the year ended March 31, 2009.

b) The amount due is unsecured, interest-free and has no fixed repayment terms.

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 amortized 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 recognized 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 recognized.

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.

27. Trade and Other Receivables (Continued)

Movement in the allowance for doubtful debts:

	The Group	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**17,123**	22,435
Currency realignment	**(405)**	—
Impairment losses recognized on receivables	**39,978**	15,472
Amounts written off as uncollectible	**—**	(9)
Amounts recovered during the year	**(12,500)**	(20,775)
At the end of the year	**44,196**	17,123

Included in trade and other receivables of the Group are trade receivables of HK$98,649,000 (2008: HK$165,436,000) and their aging analysis after credit period is as follows:

	2009	2008
	HK$'000	HK$'000
0–60 days	**52,842**	106,569
61–120 days	**9,564**	17,980
More than 120 days	**36,243**	40,887
	98,649	165,436

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**20,449**	57,486
0–60 days past due	**32,393**	49,083
61–120 days past due	**9,564**	17,980
More than 120 days past due	**36,243**	40,887
	98,649	165,436

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.

28. Financial Assets at Fair Value Through Profit or Loss

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trading securities, at market value:				
Listed equity investments				
in Hong Kong	**18,619**	5,411	**10,559**	5,411

The fair values of the listed equity investments have been determined directly by reference to published price quotations in active markets.

29. Cash and Cash Equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**174,485**	181,504	**40,367**	22,057
Time deposits	**288,281**	406,098	**—**	—
	462,766	587,602	**40,367**	22,057

Time deposits are made for approximately range from 1 month to 2 months and carry interest at short-term deposit rates of below 1% (2008: 1% to 4%).

30. Trade and Other Payables

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**109,964**	123,928
Loans from minority shareholders	**114,300**	114,300
Accrued charges and other creditors	**215,192**	224,005
	439,456	462,233

Included in trade and other payables of the Group are trade payables of HK$109,964,000 (2008: HK$123,928,000) and their aged analysis after credit period is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
0–60 days	**98,744**	119,697
61–120 days	**992**	3,548
More than 120 days	**10,228**	683
	109,964	123,928

31. Bank Borrowings

	The Group	
	2009	2008
	HK$'000	HK$'000
Secured bank loans	**192,100**	199,800

The maturity of the above borrowings is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**90,400**	33,300
More than 1 year but not exceeding 2 years	**101,700**	66,600
More than 2 years but not exceeding 5 years	**—**	99,900
	192,100	199,800
Deduct: Amount due within 1 year shown under current liabilities	**(90,400)**	(33,300)
Amount due after 1 year	**101,700**	166,500

The carrying amount of bank borrowings approximates its fair values. The bank borrowings are carried at interest rate of approximately ranged from 5.4% to 8.1% per annum. At the balance sheet date, the Group has pledged the carrying amount of leasehold land amounting to HK$564,376,000 (2008: HK$726,167,000) to banks to secure these bank borrowings.

32. Due From Subsidiaries/Due to An Immediate Holding Company — The Group and The Company

(a) Due from subsidiaries

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

(b) Due to an immediate holding company

The amount due to an immediate holding company is unsecured, interest-free and has no fixed repayment terms. The immediate holding company agreed that the amount due to the Company 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.

33. Share Capital

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Authorized:				
Shares of HK$0.10 each	**5,000,000**	1,500,000	**500,000**	150,000
Increase in authorized share capital (Note a)	**—**	3,500,000	**—**	350,000
	5,000,000	5,000,000	**500,000**	500,000
Issued and fully paid:				
At the beginning of the year	**1,224,740**	1,003,740	**122,474**	100,374
Issue of share on placement (Note b)	**—**	200,000	**—**	20,000
Issue of new shares upon exercise of share options	**—**	21,000	**—**	2,100
At the end of the year	**1,224,740**	1,224,740	**122,474**	122,474

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 places.

All the shares which were issued during the year 2008 rank pari passu with the then existing shares in all respects.

34. 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 of shares in respect of which 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 result 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.

34. Share Option Schemes (Continued)

(a) (Continued)

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

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	Outstanding at April 1, 2007	Granted	Exercised	Lapsed	Outstanding at March 31, 2008	Exercised	Outstanding at March 31, 2009
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	23,000,000	—	(8,000,000)	—	15,000,000	—	15,000,000
September 18, 2006	September 18, 2006 to September 17, 2011	Note	0.233	20,000,000	—	(13,000,000)	—	7,000,000	—	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
				48,000,000	—	(21,000,000)	—	27,000,000	—	27,000,000
				60,000,000	—	(21,000,000)	—	39,000,000	—	39,000,000
Weighted average exercise price				HK$0.267	—	HK$0.241	—	HK$0.281	—	HK$0.281
Options vested				55,000,000				39,000,000		39,000,000
Weighted average exercise price				HK$0.246				HK$0.281		HK$0.281
Weighted average remaining contractual life				4.87 years				3.96 years		2.96 years

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

No options have been granted under the 2002 Scheme during the years ended March 31, 2009 and 2008. No options have been exercised under the 2002 Scheme during the year; the weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year ended March 31, 2008 was HK$1.18.

34. Share Option Schemes (Continued)

(a) (Continued)

The fair value of the options granted was calculated using the Black-Scholes option pricing model (the "Model"). 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. ("MHJ"), 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 MHJ and its affiliates, including subsidiaries. The 1996 Plan will remain effective until October 2006 unless terminated earlier by board of directors of MHJ. However, as a condition to list shares of common stock on the NYSE Amex stock exchange (formerly known as The American Stock Exchange), MHJ 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 MHJ 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.

34. 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, 2008 and 2009.

In August 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 MHJ, (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 of the Compensation Committee of MHJ 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 of the Compensation Committee of MHJ may waive or modify these provisions at any time. To the extent an Optionee is not entitled to 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 with 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 and 2009, no options have been granted under the 2007 Plan.

35. Reserves — The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share Option reserves HK$'000	Retained profits HK$'000	Total HK$'000
The Company					
At April 1, 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	319,787	170,347	5,668	3,367	499,169
Dividends paid	—	(36,742)	—	—	(36,742)
Loss for the year	—	—	—	(11,061)	(11,061)
At March 31, 2009	**319,787**	**133,605**	**5,668**	**(7,694)**	**451,366**

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, 2009 amounted to HK$125,911,000 (2008: HK$173,714,000), which represents the aggregate of contributed surplus of HK$133,605,000 (2008: HK$170,347,000) and accumulated losses of HK$7,694,000 (2008: Accumulated profits of HK$3,367,000).

36. 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 CP&J City"), 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 by 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	2,383	—	2,383
Properties under development	198,894	96,106	295,000
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

36. 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 CP&J Project. 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 of the Group located in the PRC. The management considers such represents a separate CGU for the purpose of goodwill impairment testing.

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 measure 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, an independent firm 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 ended March 31, 2008. Taking into account these latest developments, management believes that 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 ended March 31, 2008.

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 ended March 31, 2008 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 as at March 31, 2008.

If the acquisition had been completed on April 1, 2007, the total group revenue and profit for the year ended March 31, 2008 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 April 1, 2007, nor is it intended to be a projection of future results.

37. 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	
	2009	2008
	HK$'000	HK$'000
Restricted cash	**17,000**	—
Carrying amount of leasehold land and buildings	**564,376**	726,167
Carrying amount of investment properties	**68,400**	15,300
	649,776	741,467

38. Capital Commitment

	The Group	
	2009	2008
	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	**117,173**	165,083

39. 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	
	2009	2008
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**14,365**	13,896
In the second to fifth year inclusive	**13,426**	23,113
	27,791	37,009

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$26,596,000 (2008: HK$6,802,000). 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	
	2009	2008
	HK$'000	HK$'000
Within one year	**20,178**	20,558
In the second to fifth year inclusive	**25,263**	39,870
	45,441	60,428

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

40. 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 guarantee have been utilized by subsidiaries at March 31, 2009.

In August 2007, the Group entered into a mortgage collaboration agreement with a PRC bank pursuant to which the Group agreed to indemnify the bank for any failure on the part of purchasers of properties at CP&J Project to repay outstanding loans on properties for which the Group had not yet obtained certificates of title undertook to deliver such certificates to the bank as collateral once the certificates have been obtained. In February 2009, the Group obtained all certificates of title for the purchased properties subject to the mortgage collaboration agreement, which the Group will deliver to the bank following the completion of certain administrative procedures to formally transfer title to purchasers of these properties. As of March 31, 2009, the loans for which we had provided such indemnification totaled HK$52.2 million (2008: HK$28.2 million).

Save as disclosed above, the Group had no other significant contingent liabilities at March 31, 2009 (2008: HK$Nil).

41. 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, 2008. 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.

42. 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	2009 HK$'000	2008 HK$'000
Key management personnel including directors as disclosed in note 13	Salaries and other short-term benefits	**15,033**	16,119
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
	Sale of goods	**39**	250
	Rental charges paid	—	209
	Reimbursement of rental charges paid on behalf	**1,412**	—
	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.

43. 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$2,089,000 (2008: HK$1,524,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

44. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at March 31, 2009 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 Co. Ltd.	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
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

44. 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 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
4376zone.com Limited	Hong Kong	Ordinary shares HK$5,000	100%	Trading of pearls
Zhuji Five Continents Enterprise Limited	PRC	Registered Capital US$10,000,000	55%	Inactive

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.

45. Comparative Information

Certain comparative figures have been re-classified to conform to current year's presentation. No material financial impacts are noted for the reclassification.

Five-year Financial Summary

Results

	For the year ended March 31,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**359,734**	640,493	402,504	378,297	412,262
(Loss)/Profit before taxation	**(185,709)**	590,550	67,165	46,816	41,933
Taxation	**50,765**	(186,921)	(7,214)	(3,836)	85
(Loss)/Profit for the year	**(134,944)**	403,629	59,951	42,980	42,018
Proposed final dividends	**—**	36,742	36,112	—	—
(Loss)/Profit attributable to:					
Equity Shareholders	**(72,336)**	232,375	59,951	42,980	42,018
Minority interest	**(62,608)**	171,254	—	—	—
	(134,944)	403,629	59,951	42,980	42,018

Assets and Liabilities

	At March 31,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,064,676**	2,312,099	749,676	654,655	596,430
Total liabilities	**(802,255)**	(886,458)	(70,632)	(46,230)	(43,415)
Minority interest	**(148,693)**	(204,368)	—	—	—
Equity Shareholders' funds	**1,113,728**	1,221,273	679,044	608,425	553,015

Major Properties

Below is a schedule of investment properties held by the Group in Hong Kong and the PRC as at March 31, 2009:

Location	Description and Tenure	Use	Group's Interest
Group I			
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 vacant and available for lease.	100%
19th Floor, Railway Plaza, No. 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong (6,000/168,000th equal and undivided shares of and in the Remaining Portion of Kowloon Inland Lot Nos. 10453 & 7700 and Kowloon Inland Lot No. 8511)	The gross floor area of the property is approximately 10,880 square feet (1,010.78 square metres). The property is held under Government Leases and conditions of Regrant No. 8203 for a term of 150 years commencing on 25 December 1898 and 24 June 1889 respectively.	Office The property is vacant and available for lease.	100%

Major Properties

Location	Description and Tenure	Use	Group's Interest
Group II			
20 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 419,886 square feet (39,008.40 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 4 years.	100%
21 units of market centre of Phase I in Xidoumen Village and Yangzishan Village, Shanxiahu Town, Zhuji, Zhejiang Province, the PRC	The property has a total gross floor area of approximately 14,876 square feet (1,381.98 square metres). The property has been granted for a land use term of 40 years from August 22, 2006 to August 21, 2046.	Commercial shops The property is vacant and available for lease.	100%
1,754 units of market centre of Phase I in Xidoumen Village and Yangzishan Village, Shanxiahu Town, Zhuji, Zhejiang Province, the PRC	The property has a total gross floor area of approximately 849,555 square feet (78,925.64 square metres) The property has been granted for a land use term of 40 years from August 22, 2006 to August 21, 2046.	Commercial booths and shops The property is let to various tenants for terms of generally 3 years.	55%

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

Group II — Investment properties held by the Group in PRC